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May 11, 2006

### **BY ELECTRONIC FILING**

Ms. Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Re: Notice of *Ex Parte* Meeting; CC Docket No. 96-45

Dear Ms. Dortch:

On May 10, 2006, the attached document was sent via e-mail to Jeremy Marcus at the Commission with copies to Michael Jacobs, Heather Hendrickson, Lisa Gelb, and Marvin Washington.

Should any questions arise concerning this matter, please communicate directly with the undersigned.

Respectfully submitted,

Randall B. Lowe  
Counsel for Cass County Telephone Company, LP

## Price, Aileen

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**From:** Lowe, Randall  
**Sent:** Wednesday, May 10, 2006 3:03 PM  
**To:** 'Jeremy Marcus'  
**Cc:** 'Lisa.Gelb@fcc.gov'; 'Heather.Hendrickson@fcc.gov'; 'Michael.Jacobs@fcc.gov'; 'Marvin.Washington@fcc.gov'  
**Subject:** Cass County Telephone

**Attachments:** Motion for Final Order of Forfeiture.pdf; Satisfaction of Judgment.pdf; Monthly Cash Flow of CassTel.DOC; Available Cash of CassTel.DOC; 1996 FCC CassTel Order.pdf; Complaint settlement.pdf; Supplement to Complaint Settlement.pdf; Overearnings Settlement.pdf; KCC Settlement Agreement.pdf; KCC Approval Order.pdf; Computation of CassTel Problem and Solution.doc; Regulatory Fees (2003-2004).tif

Jeremy,

Following is a list of the attached documents that may prove helpful to the Commission with regard to the decisions it needs to make with regard to Cass County Telephone.

1) Two documents (Motion for Final Order of Forfeiture and Satisfaction of Judgment) which show that the defendants in the criminal proceeding paid a total of \$8.9 million (Ken Matzdorff, Motion for Final Order of Forfeiture, para. 8, \$2.5 million; Richard Martino and Daniel Martino, Satisfaction of Judgment, \$5.9 million and \$500,000 respectively).



Motion for  
al Order of Fo



Satisfaction  
Judgment.pdf

2) A document (Monthly Cash Flow of CassTel) that graphs the cash flow of CassTel showing that its cash flow has been negative for most of 2005 and for all of 2006 projected through August when CassTel runs out of available cash (see item 3 below.)



Monthly Cash  
w of CassTel.I

3) A document (Available Cash of CassTel) that graphs the available cash of CassTel showing that by August, 2006, it will have depleted its available cash. Coupled with its negative cash flow, CassTel will not be able to survive without high cost support payments.



Available  
of CassTel.DC

4) The Commission's 1996 order establishing the study area for CassTel (1996 FCC CassTel Order).



1996 FCC  
Tel Order.pdf

5) The settlement agreements between the staff of the Missouri Public Service Commission ("MPSC") and CassTel, i.e., the settlement of the complaint regarding Ken Matzdorff's inflation of CassTel's costs of service and his perjury before the MPSC (Complaint Settlement); the supplement to the settlement of the complaint which filed Attachment 1 to the complaint settlement that was inadvertently omitted (Supplement to Complaint Settlement); and, the settlement of the overearnings investigation. All of these matters have been docketed for consideration by the MPSC on May 24. (Note that the overearnings settlement will soon be amended or supplemented by an additional settlement of \$500,000 for access customers, such as AT&T.)



Complaint  
Settlement.pdf (31



Supplement  
to Complaint Sett



Overearnings  
Settlement.pdf (

6) The settlement agreement between the staff of the Kansas Corporation Commission ("KCC") and CassTel (KCC Settlement Agreement) which was approved by the KCC on May 2 (KCC Approval Order).



KCC  
Settlement Agreement



KCC  
Approval Order.pdf (2

7) A computation of the problem and solution currently facing CassTel (Computation of CassTel Problem and Solution) which includes a table showing the amount of the overpayments by NECA and USAC using NECA's numbers, the deductions from those payments of the amounts paid by the defendants in the criminal proceeding (see item 1 above), the offset of the withheld ICLS and LSS amounts, and the residual amounts due NECA and USAC.



Computation  
of CassTel Problem

8) Documents verifying that CassTel paid its Regulatory Fees in 2003, 2004 and 2005.



Regulatory  
Fees (2003-2004)

Let me know if you require anything else.

Randy

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**IN THE UNITED STATES DISTRICT COURT FOR THE  
WESTERN DISTRICT OF MISSOURI  
WESTERN DIVISION**

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 05-00020-CR-W-SOW
	)	
KENNETH MATZDORFF,	)	
	)	
Defendant.	)	

**MOTION OF THE UNITED STATES FOR AN  
ORDER OF FORFEITURE, WITH SUPPORTING SUGGESTIONS**

The United States of America, by its undersigned counsel, respectfully submits its Motion for an Order of Forfeiture in the above-entitled case for the reasons set forth in the following supporting suggestions. A proposed order is submitted with this motion.

**SUPPORTING SUGGESTIONS**

1. On January 18, 2005, a two-count Information was filed against the defendant Kenneth Matzdorff. Count One charged that the defendant Kenneth Matzdorff and others did knowingly conspire, combine, confederate and agree together and with each other to violate the laws of the United States of America, specifically, mail and wire fraud in violation of 18 U.S.C. §§ 1341 and 1343, all in violation of 18 U.S.C. § 371.

2. Count Two of the Indictment sought forfeiture, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), against the defendant Kenneth Matzdorff of \$2,500,000 in United States currency which constituted or was derived from the proceeds traceable to the violation alleged in Count One of the Information. Count Two also included a "substitute asset" provision pursuant to which the United States set forth its intention to seek forfeiture of other

property of the defendant up to the value of the assets described therein if those assets, as a result of any act or omission of the defendant Kenneth Matzdorff,

- (1) cannot be located upon the exercise of due diligence;
- (2) have been transferred or sold to or deposited with a third person;
- (3) have been placed beyond the jurisdiction of the court;
- (4) have been substantially diminished in value; or
- (5) have been commingled with other property which cannot be subdivided without difficulty.

See 21 U.S.C. § 853(p) (incorporated by 28 U.S.C. § 2461(c)).

3. The Court's jurisdiction in this matter is founded upon 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c). Section 981(a)(1)(C) provides that the following property is subject to forfeiture to the United States:

Any property, real or personal, which constitutes or is derived from proceeds traceable to . . . any offense constituting "specified unlawful activity" (as defined in section 1956(c)(7) of this title), or a conspiracy to commit such offense.

Violations of 18 U.S.C. §§ 1341 and 1343 are "specified unlawful activities," as required by section 981(a)(1)(C), pursuant to 18 U.S.C. § 1956(c)(7)(A), which incorporates the list of "racketeering activities" in 18 U.S.C. § 1961(1)(B) into the definition of "specified unlawful activity." Section 981(a)(1)(C), a civil forfeiture provision, is made applicable to criminal forfeiture actions pursuant to 28 U.S.C. § 2461(c). Section 2461(c) also makes the procedural provisions of 21 U.S.C. § 853 applicable to actions brought pursuant to 18 U.S.C. § 981(a)(1)(C).

4. In discussing 21 U.S.C. § 853 and the related provision for forfeiture under 18 U.S.C. § 1963 (RICO), the Senate Report notes that this language "emphasizes the mandatory nature of

criminal forfeiture, requiring the Court to order forfeiture in addition to any other penalty imposed." S. Rep. No. 225 98th Cong., 2d Sess. 200, 211, reprinted in 1984 U.S. Code Cong. & Ad. News 3383, 3394. Thus, according to the relevant statute, the Court must enter an order of forfeiture in favor of the United States and against the defendant's interests in property found to have been acquired, maintained, or used in violation of the underlying forfeiture statute.

Alexander v. United States, 509 U.S. 544, 562-563 (1993); United States v. Monsanto, 491 U.S. 600, 606-607 (1989); United States v. Carpenter, 317 F. 3d 618, 626 (6<sup>th</sup> Cir. 2003); United States v. Hill, 167 F.3d 1055, 1073-74 (6<sup>th</sup> Cir. 1999); United States v. Bieri, 68 F.3d 232, 235 (8<sup>th</sup> Cir. 1995).

5. The forfeiture of a certain proceeds dollar amount, as here, is considered an in personam money judgment against the defendant that can be satisfied from any property held by or for the benefit of the defendant. See United States v. Huber, 404 F. 3d 1047, 1056 (8<sup>th</sup> Cir. 2005); United States v. Baker, 227 F.3d 955, 970 (7<sup>th</sup> Cir. 2000); United States v. Candelaria-Silva, 166 F.3d 19, 42 (1<sup>st</sup> Cir. 1999); United States v. Simmons, 154 F.3d 765, 769-770 (8<sup>th</sup> Cir. 1998); United States v. Robilotto, 828 F.2d 940, 948-949 (2d Cir. 1987); United States v. Navarro-Ordas, 770 F.2d 959, 970 (11th Cir. 1985); United States v. Conner, 752 F.2d 566, 575-578 (11th Cir. 1985); United States v. Ginsburg, 773 F.2d 798, 800-803 (7th Cir. 1985). The entry of an Order of Forfeiture in the form of a personal money judgment is specifically authorized by Rule 32.2(b)(1) and (c)(1) of the Federal Rules of Criminal Procedure. Furthermore, if the order of forfeiture is in the form of a personal money judgment, no notice to third parties or ancillary proceeding is required. Rule 32.2(c)(1).

6. Rule 32.2 (b)(1), (b)(2), and (b)(3), Federal Rules of Criminal Procedure, provide that:

(1) As soon as practicable after entering a guilty verdict or accepting a plea of guilty or *nolo contendere* on any count in an indictment or information with regard to which criminal forfeiture is sought, the court shall determine what property is subject to forfeiture under the applicable statute. If forfeiture of specific property is sought, the court shall determine whether the government has established the requisite nexus between the property and the offense. If the government seeks a personal money judgment against the defendant, the court shall determine the amount of money that the defendant will be ordered to pay. The court's determination may be based on evidence already in the record, including any written plea agreement or, if the forfeiture is contested, on evidence or information presented by the parties at a hearing after the verdict or finding of guilt.

(2) If the court finds that property is subject to forfeiture, it shall promptly enter a preliminary order of forfeiture setting forth the amount of any money judgment or directing the forfeiture of specific property without regard to any third party's interest in all or part of it. Determining whether a third party has such an interest shall be deferred until any third party files a claim in an ancillary proceeding under Rule 32.2(c).

(3) The entry of a preliminary order of forfeiture authorizes the Attorney General (or a designee) to seize the specific property subject to forfeiture; to conduct any discovery the court considers proper in identifying, locating, or disposing of the property; and to commence proceedings that comply with any statutes governing third-party rights. At sentencing - or at any time before sentencing if the defendant consents - the order of forfeiture becomes final as to the defendant and shall be made part of the sentence and included in the judgment. The court may include in the order of forfeiture conditions reasonably necessary to preserve the property's value pending any appeal.

7. On January 18, 2005, the defendant Kenneth Matzdorff entered into a plea agreement with the United States in which he agreed to plead guilty to Count One of the Information, charging a violation of 18 U.S.C. § 371. He also agreed to forfeit \$2,500,000 in United States currency to the United States. Defendant agreed to take all steps necessary to comply with the forfeiture matters before his sentencing. Accordingly, the requisite nexus between the property to be forfeited (money judgment) and the offense supporting the forfeiture, of which the defendant was found guilty (Count One), has been established.



8. On or about December 28, 2005, the defendant made the required payment of \$2,500,000 to the United States. Therefore, the order of forfeiture for the money received can be made final.

WHEREFORE, the United States respectfully requests the Court to enter an Order of Forfeiture forfeiting the \$2,500,000 in United States currency paid by the defendant Kenneth Matzdorff to the United States.

Respectfully submitted,

Bradley J. Schlozman  
United States Attorney

By /s/ Paul S. Becker  
Paul S. Becker  
Assistant United States Attorney  
Western District of Missouri  
Chief, Organized Crime Strike Force Unit

/s/ Frances Reddis  
Frances Reddis #26904  
Assistant United States Attorney  
Western District of Missouri  
Charles Evans Whittaker Courthouse  
400 E. 9<sup>th</sup> Street, Fifth Floor  
Kansas City, Missouri 64106  
Telephone: 816-426-3122

**CERTIFICATE OF SERVICE**

I hereby certify that on May 8, 2006, the foregoing motion was electronically filed with the Clerk of the Court using the CM/ECF system, and I hereby certify that I also mailed the motion and proposed order to the following:

Jamie Kilberg  
R. Stan Mortenson  
Baker Botts L.L.P.  
1299 Pennsylvania Avenue N.W.  
Washington, DC 20004-2400  
Attorney for Defendant Kenneth Matzdorff

Heather Jo Garretson  
Berkowitz Oliver Williams Shaw & Eisenbrandt, L.L.P.  
Two Emanuel Cleaver II Boulevard  
Kansas City, Missouri 64112  
Attorney for Defendant Kenneth Matzdorff

Jeffrey Daniel Morris  
Berkowitz Oliver Williams Shaw & Eisenbrandt, L.L.P.  
4121 West 83<sup>rd</sup> Street, Suite 259  
Prairie Village, Kansas 66208  
Attorney for Defendant Kenneth Matzdorff

/s/ Paul S. Becker  
Paul S. Becker  
Assistant United States Attorney

**IN THE UNITED STATES DISTRICT COURT FOR THE  
WESTERN DISTRICT OF MISSOURI  
WESTERN DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

v.

RICHARD T. MARTINO,

and

DANIEL D. MARTINO,

Defendants.

No. 05-00027-CR-W-HFS

**SATISFACTION OF JUDGMENT**

On September 7, 2005, in accordance with his plea agreement, the Court ordered defendant Richard T. Martino to forfeit \$5.9 million to the United States pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c). In the same order and in accordance with his plea agreement, the Court also ordered defendant Daniel D. Martino to forfeit \$500,000 to the United States. That order became final as to both defendants at the time of their sentencings and the entry of their criminal judgments.

Richard T. Martino submitted the following payments to satisfy the \$5.9 million forfeiture judgment:

July 26, 2005	\$ 200,000
December 16, 2005	\$ 1,200,000
December 27, 2005	\$ 250,000
December 27, 2005	\$ 250,000
January 5, 2006	\$ 1,100,000

January 6, 2006 \$ 2,500,000

January 10, 2006 \$ 400,000

On or about October 27, 2005, defendant Daniel D. Martino submitted an official bank check in the amount of \$500,000 to satisfy the forfeiture judgment ordered against him.

Accordingly, defendants Richard T. Martino and Daniel D. Martino have satisfied their obligations to forfeit funds in the amounts of \$5.9 million and \$500,000, respectively.

Respectfully submitted,

Bradley J. Schlozman  
United States Attorney

By /s/ Paul S. Becker  
Paul S. Becker  
Assistant United States Attorney  
Western District of Missouri  
Chief, Organized Crime Strike Force Unit

/s/ Frances Reddis  
Frances Reddis #26904  
Assistant United States Attorney  
Western District of Missouri  
Charles Evans Whittaker Courthouse  
400 E. 9<sup>th</sup> Street, Fifth Floor  
Kansas City, Missouri 64106  
Telephone: 816-426-3122

**CERTIFICATE OF SERVICE**

I hereby certify that on May 8, 2006, the foregoing Satisfaction of Judgment was electronically filed with the Clerk of the Court using the CM/ECF system, and I hereby certify that I also mailed the same to the following:

Gustave H. Newman  
950 Third Avenue, 32<sup>nd</sup> Floor  
New York, NY 10022  
Attorney for Defendant Richard T. Martino

Gerald Handley  
1100 Main  
Kansas City, Missouri 64105  
Attorney for Richard T. Martino

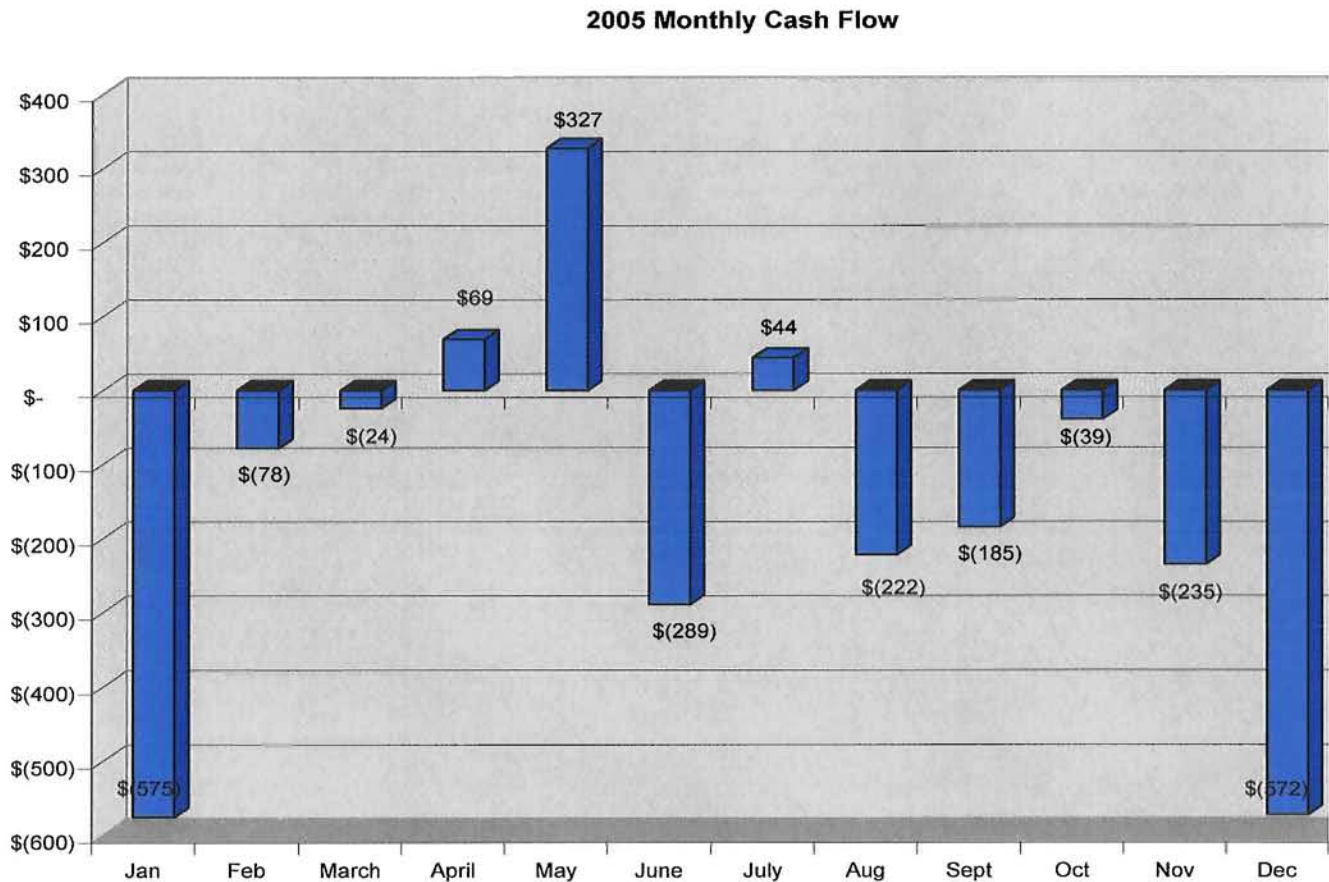
Mark J. Sachse  
748 Ann Avenue  
Kansas City, Kansas 66101  
Attorney for Defendants Richard T. Martino and Daniel D. Martino

Alan S. Futerfas  
260 Madison Avenue, 22<sup>nd</sup> Floor  
New York, NY 10016  
Attorney for Defendant Daniel D. Martino

Ronald P. Fischetti  
950 Third Avenue, 32<sup>nd</sup> Floor  
New York, NY 10022  
Attorney for Defendant Daniel D. Martino

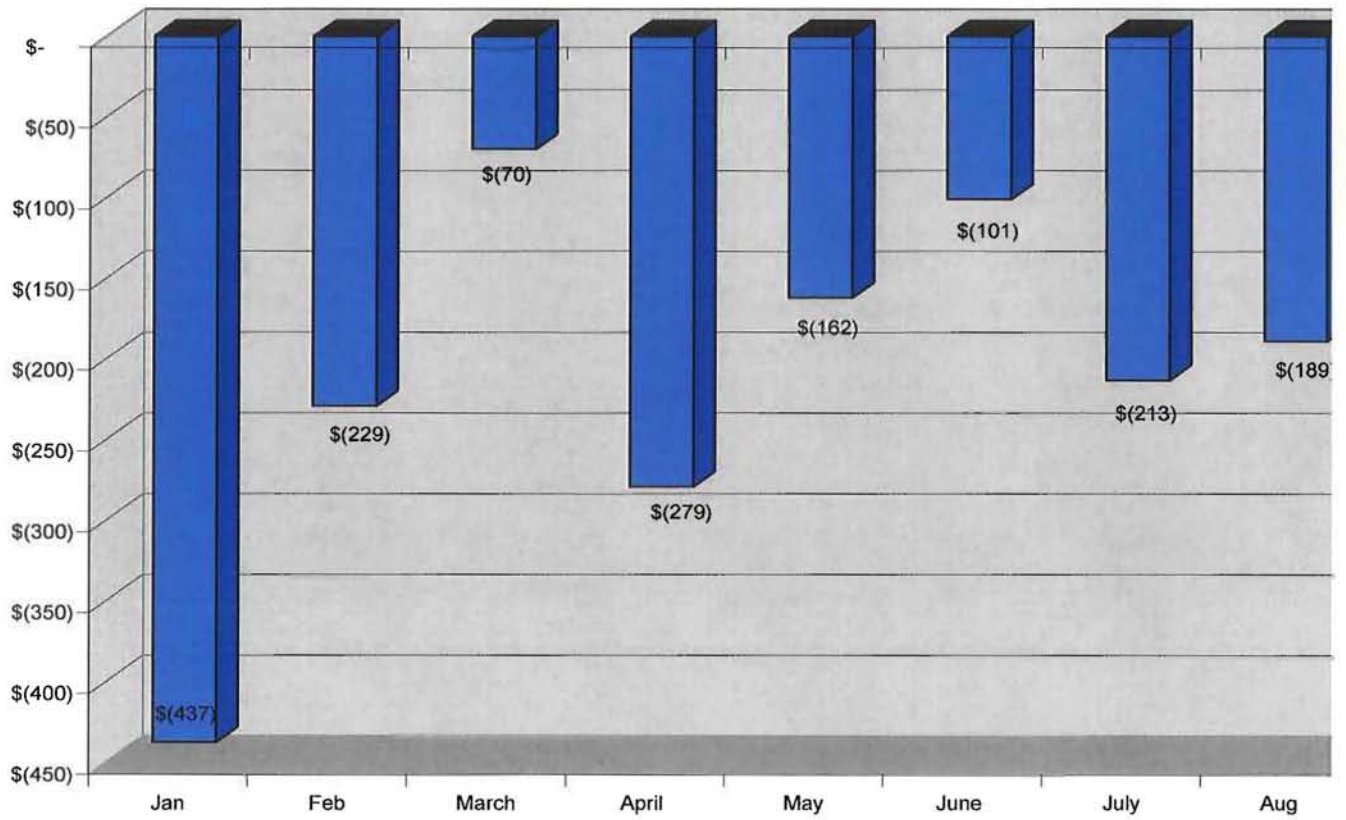
/s/ Paul S. Becker  
Paul S. Becker  
Assistant United States Attorney

Cass County Telephone Company  
 Summary of Monthly Cash Flow  
 For the Year 2005 and Forecasted Year To Date Thru August 2006



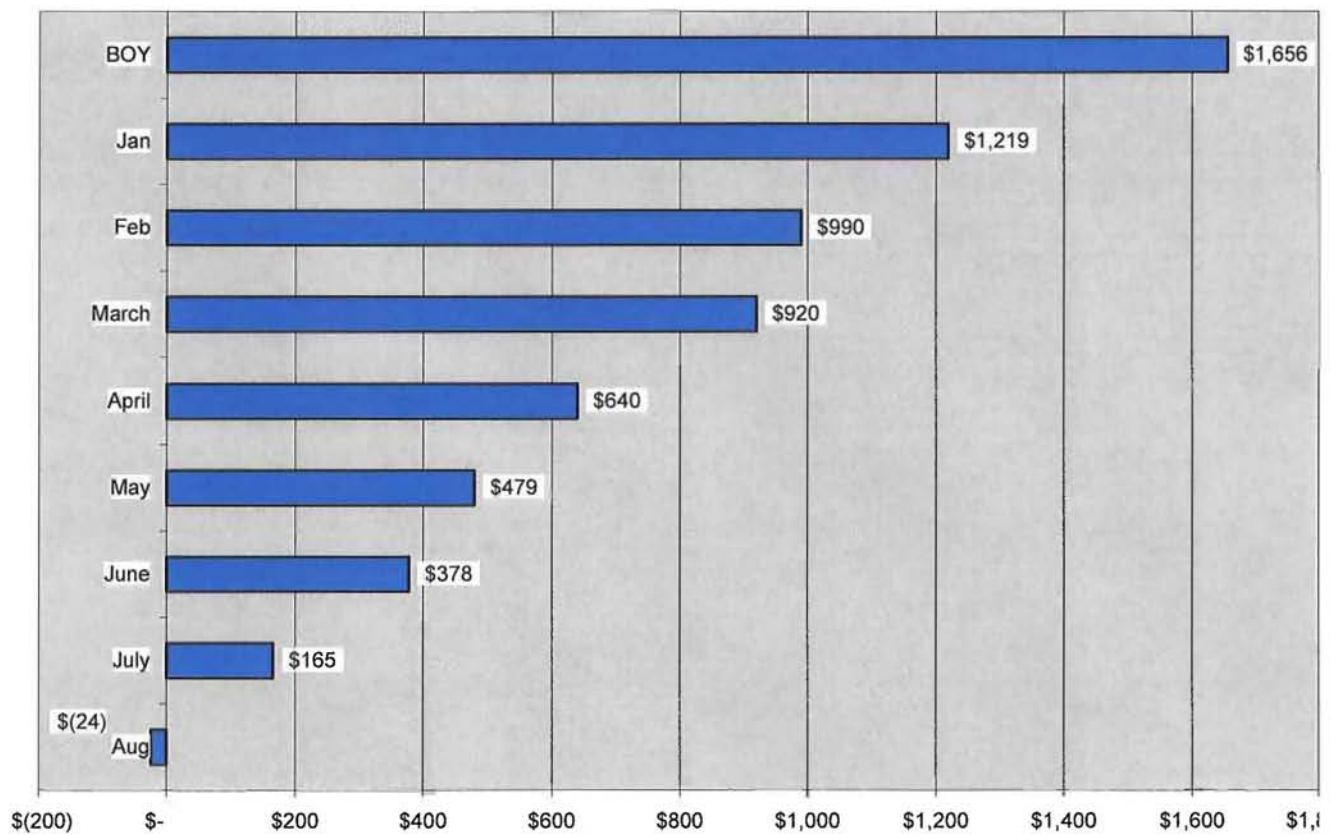
The positive cash flow for May, 2005 above is attributable to the receipt of a retroactive settlement from NECA that relates to a prior period.

2006 Monthly Cash Flow



As shown in the following graph, without high cost support, Cass County Telephone's cash will exhaust in August, 2006 (\$000s).

2006





Before the  
Federal Communications Commission  
Washington, D.C. 20554

In the Matter of

BPS Telephone Company, AAD 95-62  
Cass County Telephone company,  
GTE Midwest Incorporated, and  
Ozark Telephone Company, Inc.

Joint Petition for Waiver of Section 61.41(c)(2)  
and the Definition of "Study Area"  
Contained in the Part 36 Appendix-Glossary  
of the Commission's Rules

MEMORANDUM OPINION AND ORDER

Adopted: January 16, 1996; Released: January 17, 1996

By the Chief, Accounting and Audits Division:

I. INTRODUCTION

1. On April 21, 1995, BPS Telephone Company ("BPS"), Cass County Telephone Company ("Cass County"), GTE Midwest Incorporated ("GTE"), and Ozark Telephone Company, Inc. (collectively, "Petitioners"), filed a joint petition for waiver ("Joint Petition") of two Commission rules. BPS, Cass County, GTE, and Ozark seek a waiver of the definition of "Study Area" contained in the Part 36 Appendix-Glossary of the Commission's rules. That definition constitutes a rule freezing all study area boundaries. The requested study area waivers would allow: GTE to alter the boundaries of its existing Missouri study area when transferring 13 telephone exchanges from GTE to BPS, Cass County, and Ozark. The requested study area waiver would also allow BPS, Cass County, and Ozark to create new Missouri study areas coincident with the transfer of the 13 telephone exchanges from GTE to BPS, Cass County, and Ozark. In addition, BPS, Cass County, and Ozark seek a waiver of the Commission's price cap rule contained in Section 61.41(c)(2). That rule requires non-price cap companies—and the telephone companies with which they are affiliated—to become subject to price cap

regulation after acquiring a price cap company or any part thereof. The requested waivers would permit BPS, Cass County, and Ozark to operate under rate-of-return regulation after acquiring the 13 exchanges which currently are under price cap regulation.

2. On September 19, 1995, the Common Carrier Bureau ("Bureau") released a public notice soliciting comments on the Joint Petition.<sup>1</sup> On October 19, 1995, the Bureau received comments supporting the Joint Petition from two parties: the National Exchange Carrier Association, Inc. ("NECA"), and the National Telephone Cooperative Association ("NTCA"). At the request of Bureau staff, Petitioners provided additional financial and cost data concerning the Joint Petition.<sup>2</sup> In this Order, we find that the public interest would be served by allowing GTE to alter its study area boundaries; allowing BPS, Cass County and Ozark to create three new study areas; and allowing BPS, Cass County, and Ozark to operate under rate-of-return regulation after acquiring the 13 exchanges. We therefore grant the Joint Petition, as conditioned and explained more fully below.

II. STUDY AREA WAIVER

3. *Background.* A study area is a geographical segment of a carrier's telephone operations. Generally, a study area corresponds to a carrier's entire service territory within a state. Thus, carriers operating in more than one state typically have one study area for each state, and carriers operating in a single state typically have a single study area. Study area boundaries are important primarily because carriers perform jurisdictional separations at the study area level.<sup>3</sup> For jurisdictional separations purposes, the Commission froze study area boundaries effective November 15, 1984.<sup>4</sup> The Commission took that action primarily to ensure that local exchange carriers ("LECs") do not set up high-cost exchanges within their existing service territories as separate study areas to maximize high-cost payments.<sup>5</sup> The study area freeze also prevents LECs from transferring exchanges among existing study areas for the purpose of increasing interstate revenue requirements and compensation. A LEC must apply to the Commission for a waiver of the frozen study area rule if the LEC wishes to sell an exchange to another carrier and if that transaction would have the effect of changing the study area boundaries of either carrier.<sup>6</sup>

4. Waiver of commission rules is appropriate only if special circumstances warrant deviation from the general rule<sup>7</sup> and such a deviation will serve the public interest.<sup>8</sup> In

<sup>1</sup> Public Notice, 10 FCC Rcd 11037 (Com. Car. Bur. 1995).

<sup>2</sup> Letter from Margaret Nyland, Kraskin & Lesse, to Office of the Secretary, FCC, dated Oct. 11, 1995 ("Ozark Supplement"); letter from Randall Lowe, Piper & Marbury, to William Caton, Secretary, FCC, dated Nov. 1, 1995 ("BPS Supplement"); letter from Randall Lowe, Piper & Marbury, to William Caton, Secretary, FCC, dated Nov. 1, 1995 ("Cass County Supplement").

<sup>3</sup> The phrase "jurisdictional separations," or "separations," refers to the process of dividing costs and revenues between a carrier's state and interstate operations. See generally 47 C.F.R. §§ 36.1 - 36.741.

<sup>4</sup> 47 C.F.R., Part 36, Appendix-Glossary, definition of "Study Area" (1993). See MTS and WATS Market Structure, Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 49 Fed. Reg. 48325 (Dec. 12, 1984) (1984 Joint Board Recommended De-

cision), adopted by the Commission, 50 Fed. Reg. 939 (Jan. 8, 1985) (1985 Order Adopting Recommendation). See also Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, Notice of Proposed Rulemaking, 5 FCC Rcd 5974 (1990) (Study Area Notice).

<sup>5</sup> See 1985 Order Adopting Recommendation, 50 Fed. Reg. 939, 940. Also see 1984 Joint Board Recommended Decision, 49 Fed. Reg. 48325, 48337.

<sup>6</sup> 47 C.F.R. Part 36, Appendix-Glossary. See also 47 C.F.R. § 1.3.

<sup>7</sup> *Northeast Cellular Telephone Company v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990).

<sup>8</sup> *WAIT Radio v. FCC*, 418 F.2d 1153, 1159 (D.C. Cir. 1969).

evaluating petitions seeking a waiver of the rule freezing study area boundaries, the Commission employs a three-prong standard:<sup>9</sup> first, that the change in study area boundaries does not adversely affect the Universal Service Fund ("USF") support program;<sup>10</sup> second, that the state commission(s) having regulatory authority over the exchange(s) to be transferred does not object to the change; and third, that the public interest supports such a change. In evaluating whether the change would adversely affect the USF, the Commission applies a "one percent" guideline to study area waiver requests filed after January 5, 1995.<sup>11</sup> This guideline does apply in the instant case because Petitioners filed after that date.

5. *Petition.* GTE seeks a waiver of the rule freezing study area boundaries to enable it to remove 13 exchanges serving approximately 11,225 access lines, from its Missouri study area. Although the bulk of the properties that GTE seeks to transfer are located in Missouri, several exchanges provide service in the adjacent states of Arkansas, Kansas, and Oklahoma. As a consequence, BPS seeks a waiver to establish a new study area for three exchanges serving approximately 3,373 access lines in Missouri.<sup>12</sup> Cass County seeks a waiver to establish a new study area for six exchanges in Missouri serving 5,719 access lines and two exchanges in Kansas that serve 224 access lines.<sup>13</sup> Ozark seeks a waiver to establish a new study area for a Missouri exchange serving approximately 1,046 access lines and for an exchange serving approximately 863 access lines, Southwest City, a municipality that straddles three states: Arkansas, Missouri, and Oklahoma.<sup>14</sup> Petitioners argue that the economic viability of their proposals are dependent upon a separate study area for ratemaking and regulatory purpose to ensure that the costs of serving the subject exchanges are reflected in the rates charged to subscribers.<sup>15</sup>

6. Petitioners estimate that grant of the study area waivers would result in a total increase in their draw from the USF of approximately \$1,193,480 (this figure includes the costs associated with the planned upgrades). BPS states that the effect on GTE's USF in Missouri will be a decrease of

approximately \$99,156, with a projected increase in USF support for BPS of \$207,535.<sup>16</sup> As a consequence, BPS estimates that the net annual increase in USF revenues by virtue of this transaction will be approximately \$108,379. Cass County states that the effect on GTE's USF in Missouri will be a decrease of approximately \$785,793. In addition, Cass County states that the projected increase in USF support for Cass County will be \$1,626,277.<sup>17</sup> Cass County estimates that the net annual increase in USF revenues by virtue of this transaction, is approximately \$840,484. Ozark estimates that the USF contribution for the two exchanges in the proposed new Missouri study area will be approximately \$530,480 per year; and that the effect on GTE's USF in Missouri will be a decrease of approximately \$285,863 per year. Finally, Ozark states that the projected net increase in USF support of \$244,617 per year.<sup>18</sup>

7. *Discussion.* As noted above, a study area usually corresponds to a carrier's entire service area within a state, and usually does not include exchange carrier operations in other states.<sup>19</sup> In this case, GTE has been providing service to a limited number of subscribers in adjacent states from exchanges and access lines that were included in GTE Midwest Inc.'s Missouri study area when study area boundaries were frozen.<sup>20</sup> The requested waivers would effectively continue that GTE study area practice through the creation of additional study areas, serving those geographic areas that would be removed from GTE's Missouri study area.<sup>21</sup> Petitioners' proposals demonstrate that current and potential customers in the affected exchanges will likely be better served by BPS, Cass County, and Ozark than GTE. The buyers state that they plan to provide technological improvements in the acquired exchanges, including the use of the latest signaling technology. The petitioners also state that the buyers plan to construct new digital central offices; add fiber for both toll and local use; add new buried or aerial facilities to replace aging open wire, aerial and air core facilities; upgrade multi-party lines to single party service; and provide alternative power sources to exchanges

<sup>9</sup> See US West Communications, Inc. and Eagle Telecommunications, Inc. Joint Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary of the Commission's Rules, Memorandum Opinion and Order, 10 FCC Rcd 1771 (1995) (*US West-Eagle Study Area Order*) at para. 5.

<sup>10</sup> See 1984 Joint Board Recommended Decision, 49 Fed. Reg. at 48337, para. 66. The Commission created the USF to preserve and promote universal service. See Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, 96 FCC 2d 781 (1984). The USF allows LECs with high local loop plant costs to allocate a portion of those costs to the interstate jurisdiction, thus enabling the states to establish lower local exchange rates in study areas receiving such assistance. To determine which LEC study areas are eligible for USF support, the USF rules prescribe an eligibility threshold set at 115 percent of the national average unseparated loop cost per working loop. When loop cost in a particular study area exceeds that threshold, the study area is eligible for support equal to a certain percentage of the loop cost in excess of that threshold. The study area becomes eligible for higher levels of support as its loop cost rises above additional thresholds set farther above the national average unseparated loop cost. Because USF assistance is targeted primarily at small study areas, the level of support provided at each threshold generally is greater if the study area has 200,000 or fewer working loops. See 47 C.F.R. § 36.631.

<sup>11</sup> The Commission stated that no waiver of the rule freezing study area boundaries should result in an annual aggregate shift in USF assistance in an amount equal to or greater than one percent of the total USF, unless the parties can demonstrate extraordinary public interest benefit. The USF effect for the year must be computed on an annualized basis. To prevent carriers from evading this limitation by disaggregating a single large sale of exchanges into a series of smaller transactions that in the aggregate have the same effect on the USF, the Commission further requires that the "one percent" guideline be applied to all study area waivers granted to either carrier, as a purchaser or seller, pending completion of the current review of the USF program. In this context, the Commission defines the term "carrier" to include all affiliated carriers (*i.e.*, those carriers that are in common control, as the term "control" is defined in Section 32.9000 of the Commission's rules, 47 C.F.R. § 32.9000). See *US West-Eagle Study Area Order* at paras. 14-17.

<sup>12</sup> Joint Petition at 28.

<sup>13</sup> *Id.* at 8.

<sup>14</sup> *Id.* at 20.

<sup>15</sup> *Id.* at 10, 20, and 37.

<sup>16</sup> BPS Supplement at Attachment 4.1.

<sup>17</sup> Cass County Supplement at Attachment 4.1.

<sup>18</sup> Ozark Supplement at Attachment 4.1.

<sup>19</sup> Para. 3, *supra*.

<sup>20</sup> See generally note 4, *supra*, and references cited therein.

<sup>21</sup> Joint Petition, *passim*.

currently without emergency back-up facilities.<sup>22</sup> In addition, the petitioners state that the acquiring companies are capable of, and dedicated to, providing high-quality telephone and other telecommunications services to the rural areas they propose to serve. We thus conclude that the requested study area waivers, which are not opposed by any regulatory commission,<sup>23</sup> will likely serve the public interest. We have also concluded that the net increase of \$1,193,480 in the combined USF draw for BPS, Cass County, GTE, and Ozark will not, in the overall context of this transaction, have a significant adverse effect on the USF.<sup>24</sup> We therefore find that the three existing criteria for granting a study area waiver have been met in this instance and that the waiver requests should be granted.<sup>25</sup>

### III. PRICE CAP WAIVERS

8. *Background.* Section 61.41(c)(2) of the Commission's rules provides that, when a non-price cap company acquires a price cap company, the acquiring company—and any LEC with which it is affiliated—shall become subject to price cap regulation within a year of the transaction.<sup>26</sup> The Commission stated that this "all-or-nothing" rule applies not only to the acquisition of an entire LEC but also to the acquisition of part of a study area.<sup>27</sup> Hence, under this rule, BPS, Cass County, and Ozark's acquisition of GTE's 13 exchanges obligates them to exit the NECA pools and become subject to price cap regulation instead of rate-of-return regulation.

9. The Commission explained that the all-or-nothing rule is intended to address two concerns it has regarding mergers and acquisitions involving price cap LECs. The first concern is that, in the absence of the rule, a company might attempt to shift costs from its price cap affiliate to its non-price cap affiliate, allowing the non-price cap affiliate to earn more—due to its increased revenue requirement—without affecting the earnings of the price cap affiliate, *i.e.*, without triggering the sharing mechanism. The second concern is that, absent the rule, a LEC may attempt to "game the system" by switching back and forth between rate-of-return regulation and price cap regulation. The Commission cited, as an example, the incentive a LEC may have to raise rates by building up a large rate base under rate-of-return regulation and, then, after opting for price caps again, to increase earnings by cutting costs back to an efficient level. It would disserve the public interest, the Commission stated, to allow a LEC to alternately "fatten up" under rate-of-return regulation and "slim down" under price caps regulation, because rates would not fall in the manner intended under price cap regulation.<sup>28</sup>

10. The Commission nonetheless recognized that a narrow waiver of the all-or-nothing rule might be justified if efficiencies created by the purchase and sale of a few exchanges were to outweigh the threat that the system may be subject to gaming.<sup>29</sup> Such a waiver would not be granted unconditionally, however. Rather, similar to certain study area waivers,<sup>30</sup> waivers of the all-or-nothing rule would be granted subject to the condition that the selling price cap

<sup>22</sup> *Id.* at 6, 19, and 28.

<sup>23</sup> Four state commissions have jurisdiction over the petitioners' intrastate operations: Arkansas, Kansas, Missouri, and Oklahoma. These commissions have stated that they do not object to the requested study area waiver insofar as their respective jurisdictions are concerned. Letter from Samuel Loudenslager, Deputy Director, Research & Policy, Arkansas Public Service Commission to Kent Nilsson, Chief, Costs Analysis Branch, Accounting and Audits Division, Federal Communications Commission (Sept. 1, 1995); Letter from Karen Flaming, Chief, Telecommunications Analyst, Kansas Corporation Commission to Adrian Wright, Cost Analysis Branch, Accounting and Audits Division, Federal Communications Commission (Sept. 14, 1995); Letter from John Van Eschen, Manager, Telecommunications Department, Missouri Public Service Commission to Kent Nilsson, Chief, Cost Analysis Branch, Accounting and Audits Division, Federal Communications Commission (Dec. 7, 1995); Missouri Public Service Commission, Order Approving Sale and Transfer of Assets and Granting Certificate of Service Authority, Case Nos. TM-95-135, and TM-95-163, dated Jul. 21, 1995 (received Nov. 1, 1995); Oklahoma Corporation Commission, Order No. 394984, dated Aug. 28, 1995 (received Oct. 11, 1995).

<sup>24</sup> In relying on the acquiring companies' representations as to the USF impact of granting the requested waivers, we condition each waiver to limit the USF draw of each new study area to the estimated impacts that the petitioners provided in their supplemental cost data (*i.e.*, the BPS study area shall not receive USF payments that exceed \$207,535 per year; the Cass County study area shall not receive USF payments that exceed \$1,626,277 per year; and the Ozark study area shall not receive payments that exceed \$530,480 per year). These study area waivers also are subject to the condition that, if the selling LEC is a price cap carrier selling a high-cost portion of its operations, it shall make a downward exogenous adjustment to its Price Cap Index to reflect the change in its study area boundaries. See

Price Cap Performance Review for Local Exchange Carriers, First Report and Order, 10 FCC Rcd 8962 (1995) ("LEC Price Cap Review Order"), at ¶¶ 328 and 330. Under that requirement, GTE must reduce the Price Cap Index for its Missouri study area if the change in study area boundaries reduces the cost basis for that index. The Price Cap Index, which is the cost index on which price-capped rates are based, is calculated pursuant to a formula specified in the Commission's rules for price cap LECs. See 47 C.F.R. § 61.45.

<sup>25</sup> Because of the mixed jurisdictional nature of the revenue requirements that will result from the creation of the new Cass County and Ozark study areas, as a condition of granting the requested study area waivers, we require on a going-forward basis that Cass County and Ozark keep their accounts and records clearly divided, and in such a manner, as to permit each state (Arkansas, Kansas, Missouri, and Oklahoma) and the Federal Communications Commission to quickly and accurately determine the revenue requirement that is properly allocable to each jurisdiction.

<sup>26</sup> 47 C.F.R. § 61.41(c). See Second Report and Order, 5 FCC Rcd 6786, 6821 (1990) and Erratum, 5 FCC Rcd 7664 (1990) (LEC Price Cap Order), modified on recon. 6 FCC Rcd 2637 (1991) (LEC Price Cap Reconsideration Order), petitions for further recon. dismissed, 6 FCC Rcd 7482 (1991), *aff'd*, National Rural Telecom Assoc. v. FCC, 988 F.2d 174 (D.C. Cir. 1993), *further modification on recon.*, 6 FCC Rcd 4524 (1991) (ONA Part 69 Order), second further recon., 7 FCC Rcd 5235 (1992).

<sup>27</sup> The Commission explained that, if these two types of acquisitions were not treated the same under the all-or-nothing rule, a LEC could avoid the rule by selling all but one of its exchanges. See LEC Price Cap Reconsideration Order, 6 FCC Rcd 2637, 2706.

<sup>28</sup> LEC Price Cap Reconsideration Order, 6 FCC Rcd 2637, 2706.

<sup>29</sup> *Id.*

<sup>30</sup> See *supra* at note 24.

LEC shall make a downward exogenous adjustment to its Price Cap Index to reflect the change in its study area. That adjustment is needed to remove the effects of the transferred exchanges from price-capped rates that have been based, in whole or in part, upon the inclusion of those exchanges in the price-capped study areas.<sup>31</sup>

11. *Petition.* BPS, Cass County, and Ozark seek waiver of Section 61.41(c)(2) so they may operate as rate-of-return LECs, rather than price cap LECs, after acquiring the 13 exchanges that currently are under price cap regulation. Petitioners argue that the rule's application in this instance is contrary to the public interest and does not serve the purposes for which the rule was adopted. Petitioners further argue that the Commission's two concerns, the threat of cost shifting between affiliates and gaming of the system, are not at issue in this case.<sup>32</sup>

12. *Discussion.* We agree with Petitioners that the Commission's first concern underlying the all-or-nothing rule is not applicable in this case. Neither BPS, Cass County, nor Ozark has an incentive to shift costs between price cap and rate-of-return affiliates, because neither company is seeking to maintain separate affiliates under different systems of regulation. As to the Commission's second concern, we find it implausible that GTE could game the system by moving the 13 exchanges back and forth between price cap and rate-of-return regulation, because GTE is selling these exchanges and a reacquisition would require a second study area waiver. Moreover, GTE cannot transfer the 13 exchanges without removing the rate-effects of those exchanges from the price-capped rates that have been based, in part, upon the inclusion of those exchanges in its Missouri study area.<sup>33</sup>

13. We therefore find there is good cause to grant BPS, Cass County, and Ozark waivers of the all-or-nothing rule to permit them to remain under rate-of-return regulation after acquiring the 13 exchanges which currently are under price cap regulation. For the present, we will continue to regulate BPS, Cass County, and Ozark as rate-of-return carriers. Because we are waiving Section 61.41(c)(2), they need not withdraw from the NECA pools. We note that, as with any other rate-of-return carriers, BPS, Cass County, and Ozark may elect price cap regulation in the future if they decide to withdraw from the NECA pools.

#### IV. ORDERING CLAUSE

14. Accordingly, IT IS ORDERED, pursuant to Sections 4(i) and 5(c) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i) and 155(c) and Sections 0.91 and 0.291 of the Commission's Rules, 47 C.F.R. §§ 0.91, 0.291, that the Joint Petition of BPS Telephone Company, Cass County Telephone Company, GTE Midwest Incorporated, and Ozark Telephone Company, Inc. for waiver of Part 36, Appendix-Glossary, and for waiver of Section 61.41(c)(2) of the Commission's Rules, 47 C.F.R. § 61.41(c)(2) IS GRANTED as conditioned above.

#### FEDERAL COMMUNICATIONS COMMISSION

Kenneth P. Moran  
Chief, Accounting and Audits Division  
Common Carrier Bureau

<sup>31</sup> See *LEC Price Cap Review Order* at ¶ 330.

<sup>32</sup> Joint Petition at 18, 26, and 24. We note that, although GTE signed the Joint Petition, GTE does not seek a waiver of the all-or-nothing rule.

<sup>33</sup> See *supra* at ¶ 10.

**BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI**

Staff of the Public Service Commission	)	
Of the State of Missouri,	)	
	)	
Complainant,	)	
	)	
v.	)	Case No. TC-2005-0357
	)	
Cass County Telephone Company	)	
Limited Partnership,	)	
	)	
Respondent.	)	

**STIPULATION AND AGREEMENT**

As a result of discussions among the Complainant Staff of the Missouri Public Service Commission (Staff) and the Respondent Cass County Telephone Company Limited Partnership (CassTel) (individually, Party; collectively, Parties), the Parties hereby submit the following Stipulation and Agreement (Agreement) to the Missouri Public Service Commission (Commission) for approval.

**I. BACKGROUND**

CassTel is a "telecommunications company" and "public utility" as those terms are defined in §386.020 RSMo.<sup>1</sup> As such, CassTel is subject to the supervision and control of the Commission as provided by law in Chapters 386 and 392 RSMo.

On August 11, 2004, the Staff began an informal investigation of CassTel as a result of the arrest of CassTel's then President, Kenneth M. Matzdorff. Thereafter, on January 14, 2005, the Commission established a case (MoPSC Case No. TO-2005-0237) and directed its Staff to investigate all matters pertaining to the operations of CassTel as a

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<sup>1</sup> RSMo. 2000 or RSMo. Supp. 2004, unless otherwise noted.

result of Mr. Matzdorff's guilty plea to certain felony charges.<sup>2</sup> In addition, the Commission authorized its Staff to file a complaint(s) on any matters contained within the scope of the investigation case.

On April 8, 2005, Staff filed a Complaint against CassTel. The Commission docketed the Complaint as captioned above. By virtue of its Complaint, Staff has sought to obtain authority from the Commission for the Commission's General Counsel to seek penalties against CassTel allowed by law for the violations alleged in the Complaint. Thereafter, on May 13, 2005, CassTel filed its Answer and affirmative defenses.

On July 22, 2005, Staff filed a proposed procedural schedule. CassTel filed its response to Staff's proposal on July 28, 2005. On August 4, 2005, the Commission issued its Order adopting a procedural schedule. Among other things, the Order included events culminating in an evidentiary hearing of five days to commence on October 31, 2005.

On August 30, 2005, Staff filed its Motion for Summary Disposition (the "Motion") and a legal memorandum in support of said motion.

On September 23, 2005, Staff and CassTel filed a Joint Motion for Suspension of Procedural Schedule and Motion for Expedited Treatment (Joint Motion) to allow them to explore the terms of a settlement without the distraction and burden of simultaneously committing substantial effort and expense to preparing for an evidentiary hearing.

On September 26, 2005, the Commission issued an order granting the Joint Motion.

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<sup>2</sup> On July 15, 2005, the Commission issued its Order Dismissing Case, acknowledging that the Staff has the necessary authority to continue to investigate the operations of CassTel without the necessity of a formal docket. Thereafter, Staff has continued its investigation of CassTel.

On December 20, 2005, the Commission issued its Order Setting Date for the Filing of a Response to Staff's Motion for Summary Disposition directing CassTel to file its response to Staff's Motion by no later than January 3, 2006. Said order stated a response would not be necessary if a settlement agreement was filed before December 31, 2005.

## **II. THE STIPULATION**

A. CassTel admits that Staff has sufficient documentation and other information which, if duly offered and admitted into evidence at a hearing, would permit a finder of fact to reasonably conclude that Mr. Kenneth M. Matzdorff caused false entries to be made in the books of account of CassTel when he was an officer of CassTel.

B. CassTel admits that Staff has sufficient documentation and other information which, if duly offered and admitted into evidence at a hearing, would permit a finder of fact to reasonably conclude that on April 19, 2004, Mr. Kenneth M. Matzdorff gave false or misleading testimony to the Commission under oath in Case No. IR-2004-0534.

## **III. THE AGREEMENT**

### **A. Payment to Public School Fund**

Subject to the conditions, limitations and agreements set forth below, CassTel agrees to make a payment to the Public School Fund in the amount of One Million Dollars (\$1,000,000) in settlement of the matters alleged in the pending Complaint and, except as otherwise provided in § III.B.3, all other potential complaints (the Potential Enforcement Complaints) that might arise out of the formal investigation in Case No. TO-2005-0237 and the informal investigations that both preceded the filing of Case No.

TO-2005-0237 and were instituted subsequent to the termination of that case (collectively, the Investigation).

**B. Terms and Conditions of the Payment**

**1. Timing of Payment**

The payment of the stipulated amount into the Public School Fund, as contemplated by § III.A., will be made within ninety (90) days of an order approving this Agreement in this case, or upon the close of the sale of CassTel to a new owner or owners, whichever occurs first.

**2. Purpose, Scope and Effect of Settlement**

The payment of the stipulated amount, as provided by § III.A., represents a full and comprehensive settlement of the Complaint in this case and any Potential Enforcement Complaints arising from or related to the Investigation against CassTel or Local Exchange Carrier LLC (LEC) and, therefore, no additional enforcement complaints, by amendment or otherwise, against CassTel or LEC will be filed, initiated or otherwise pursued. Without limiting the foregoing, this Agreement resolves and settles for all time all pending or unfiled actions for any penalty or forfeiture under or by virtue of the Public Service Commission Law, including those which may be brought by third parties, for or on account of any act, transaction, matter or thing, known or unknown, concerning the subject matter of the Complaint and the Investigation against CassTel, its successors, assigns, partners, agents, managers, officers and employees and, to the extent the Commission has jurisdiction with respect thereto, LEC, its successors, assigns, members, agents, managers, officers and employees and to forever release each and all of them from any punitive adverse action associated with the matters alleged in the



Complaint or which have been examined in the context of the Investigation involving CassTel.

**3. Matters Excluded from Scope of Settlement**

This settlement excludes any matters associated with the Staff's ongoing investigation of and any current or future complaint against New Florence Telephone Company including Case No. TC-2006-0184. Additionally, this settlement does not preclude Staff from pursuing an overearnings complaint against CassTel.

**C. Certification of CassTel for Receipt of USF Funds.**

**1. Prospective Certification**

The Parties agree that CassTel has implemented sufficient financial and managerial controls to justify its certification for receipt of federal Universal Service Fund (USF) disbursements. Staff agrees to recommend that the Commission certify prospectively to the Federal Communications Commission (FCC) that funds received by CassTel from the federal high cost support funding mechanisms will be used in accordance with Section 254(e) of the federal Telecommunications Act of 1996 (47 USC §254(e) 1999); provided that, Staff will not be bound to make such a recommendation if, during the time that LEC, LLC continues to have majority ownership of the Company, the day-to-day management of CassTel no longer is being performed by a third party acceptable to Staff.

**2. Certification for Prior Periods**

The above commitment to recommend prospective certification to the FCC does not preclude Staff from making a recommendation of certification for prior periods. Such recommendation for prior periods shall be in accordance with the terms of

a plan prepared by CassTel and approved by the Staff for the expenditure of High Cost Support certified by the Commission, which plan shall not be applicable to any high cost funding received by CassTel as a consequence of certification under Section III.C.1, of this Agreement. An approved plan for the expenditure of High Cost Support from prior periods shall include a commitment to provide quarterly updates to Staff as to the specific uses of the High Cost Support in accordance with that plan. Quarterly updates shall continue through two annual October 1 Commission USF certification processes and will continue in compliance with any applicable Commission rule thereafter. Further, such recommendation will be based upon CassTel's filing of corrected data for 2005 with USAC and NECA as contemplated by Section III.D., *infra*.

3. There is nothing in this Agreement that constitutes a waiver of any future Commission rule or regulation regarding High Cost Support.

**D. Adjustments to Books of Account**

The Parties agree that CassTel shall adjust its 2005 books and records by making the correcting entries to its accounts as set forth in Attachment 1, affixed hereto and incorporated by reference. The Parties further agree this adjustment of CassTel's 2005 books and records will represent an accurate valuation of CassTel's telephone plant in service and depreciation reserve accounts for that period. The parties agree that no restatement of CassTel's annual reports to the Commission for years prior to 2005 will be made. CassTel shall supplement each annual report for the 1996-2004 time period with a statement noting that there are inaccuracies and refer the reader to the 2005 CassTel Annual Report. The 2005 CassTel annual report shall contain a statement regarding the corrections contained in this report relative to inaccuracies contained in the 1996-2004

Annual Reports. Notwithstanding this paragraph, if in accordance with III.C.2, the Company seeks High Cost Support certification for prior periods, then the Company will submit a corrected annual report for each year where it relies on cost information from that year to support such High Cost Support certification.

**E. The Agreement is in the Public Interest.**

The Parties agree the terms of the Agreement are in the public interest and should be approved by the Commission. The pending Complaint together with any Potential Enforcement Complaints are likely to lead to protracted litigation on a number of issues which can better be addressed in the manner set forth in this Agreement. A settlement will allow CassTel to concentrate its energies on providing safe, reliable and affordable telecommunications service. The Agreement will facilitate sale of CassTel's assets and in fact, the Agreement is predicated on an understanding that the present CassTel owners will promptly present such a sale to the Commission for its approval.

**IV. THE EFFECT OF THE AGREEMENT**

A. The Parties enter into this Agreement in reliance upon information provided to them by CassTel and LEC. In the event the Commission finds that CassTel or LEC failed to provide the Staff with material and relevant information in the possession of either of them or in the event the Commission finds that CassTel or LEC misrepresented facts material and relevant to this Agreement, this Agreement shall be terminated.

B. This Agreement shall become effective upon Commission approval without modification by final Commission order. Such order becomes "final" either by issuance of a Commission order on rehearing or, if no rehearing, on the effective date of

the order.

C. This Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Agreement in total and without modification, at the option of either Party this Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, nor shall any provision be deemed as an admission against interest. The stipulations herein are specific to the resolution of this proceeding and the matters specifically addressed in this Agreement. All stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings.

D. This Agreement is being entered into for the purpose of disposing of all issues in this case and the matters specifically addressed in this Agreement. None of the Parties to this Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Agreement in this or any other proceeding, whether this Agreement is approved or not, except as otherwise expressly specified herein.

E. All Parties further understand and agree that the provisions of this Agreement relate only to the specific matters referred to in the Agreement and no Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Agreement.

F. When approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the Parties. The Parties shall cooperate in

defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

G. This Agreement contains the entire agreement of the Parties concerning the Complaint and Investigations.

#### **V. COMMISSION APPROVAL OF THE AGREEMENT**

The Staff shall file with the Commission suggestions or a memorandum in support of this Agreement. CassTel shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within ten (10) days of receipt of the Staff's memorandum, a responsive memorandum, which shall also be served on Staff.

The Staff shall also have the right to provide, at any Agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide other Parties with advance notice when the Staff shall respond to the request once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

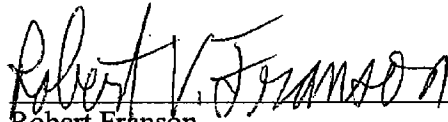
In the event the Commission accepts the specific terms of the Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument and/or written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. If this Agreement is not

approved by the Commission, the Parties request that a revised Procedural Schedule be established which provides for a hearing, to include the opportunity for cross-examination.

To assist the Commission in its review of this Agreement, the Parties also request the Commission advise them of any additional information that the Commission may desire from the Parties relating to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

**WHEREFORE**, for the following reasons, the undersigned Parties respectfully request the Commission to issue an order in this case approving the Agreement subject to the specific terms and conditions contained therein.

Respectfully Submitted,



Robert Franson #34643

Senior Counsel

William K. Haas #28701

Deputy General Counsel

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Service Commission

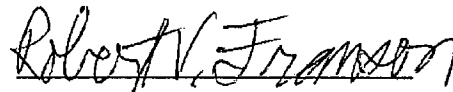


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Attorneys for Cass County Telephone  
Company Limited Partnership

### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 29<sup>th</sup> day of December, 2005.



**BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI**

Staff of the Public Service Commission	)	
of the State of Missouri,	)	
	)	
Complainant,	)	
	)	
v.	)	Case No. TC-2005-0357
	)	
Cass County Telephone Company	)	
Limited Partnership,	)	
	)	
Respondent.	)	

**SUPPLEMENT TO STIPULATION AND AGREEMENT**

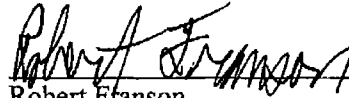
**COMES NOW** Complainant Staff of the Missouri Public Service Commission (Staff) and the Respondent Cass County Telephone Company Limited Partnership (CassTel) (individually, Party; collectively, Parties), the Parties hereby state as follows:

1. On December 29, 2005, the Parties filed the Stipulation and Agreement in this case.
2. On page 2 of the Stipulation and Agreement, there is a reference to an Attachment 1, which was inadvertently omitted from the Stipulation and Agreement. Attachment 1 is attached hereto and incorporated by reference.
3. The Office of the Public Counsel has no objection to this filing.

**WHEREFORE** the Parties respectfully submit Attachment 1 as a Supplement to the Stipulation and Agreement filed on December 29, 2005.



Respectfully Submitted,



Robert Franson  
Senior Counsel

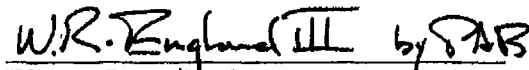
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Attorneys for Cass County Telephone  
Company Limited Partnership

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed on this 5<sup>th</sup> day of January, 2006 to:

Office of Public Counsel  
Governor Office Building  
200 Madison Street  
Jefferson City, Missouri 65101



Cass County Telephone Company  
 Adjusting Journal Entries - LEC, ODC, and Pegasus Charges in Prior Years  
 2005

Attachment 1

Account	Accumulated Depreciation	Debit	Credit
3121.210	Buildings	\$ 3,619.49	
3121.220	Furniture	31.36	
3121.232	CO Communication Equip	69.12	
3121.240	General Purpose Comp	513.44	
3122.120	Digital Elec. Switch	33,643.42	
3122.121	Digital Elec-Remote	14,957.70	
3122.122	Digital Elec-SFTWR	1,201.28	
3122.123	Digital Elec-Common	3,865.92	
3122.124	Digital Elec-Power	5,005.19	
3122.321	Circuit Equip-Subscriber	7,204.55	
3122.322	Digital Circuit Equip	29,118.21	
3122.323	Circ Equip Other	36.78	
3122.325	Circ Equip-Fiber Opt	18,084.12	
3124.110	Poles	821.27	
3124.211	Aerial Cable-Metal	938.33	
3124.212	Aerial Cable-Non-Met	938.93	
3124.213	Drop & Blck- Aerial	84.31	
3124.221	Undrgr Cab-Metal	28.92	
3124.222	Undrgr Cab- Non-Metal	343.76	
3124.231	Buried Cable Metal	82,320.47	
3124.232	Buried Cable-Non Metal	12,328.38	
3124.233	Drp & Blck- Buried	10,917.19	
3124.441	Conduit Systems	1,425.13	
4510.000	Partners Capital	762,721.75	
	<b>Telephone Plant in Service</b>		
2111.000	Land		\$ 158.98
2121.000	Buildings		19,978.67
2122.000	Furniture		54.58
2123.200	CO Communication Equip		81.75
2124.000	General Purpose Comp		436.77
2212.000	Digital Elec. Switch		101,710.26
2212.100	Digital Elec-Remote		73,977.12
2212.200	Digital Elec-SFTWR		7,136.73
2212.300	Digital Elec-Common		13,249.77
2212.400	Digital Elec-Power		15,276.54
2232.100	Analog Circuit Equip		26,593.66
2232.200	Digital Circuit Equip		72,657.43
2232.300	Circ Equip Other		65.07
2232.500	Circ Equip-Fiber Opt		42,285.07
2411.000	Poles		2,214.90
2421.100	Aerial Cable-Metal		4,429.56
2421.200	Aerial Cable-Non-Met		6,258.47
2421.300	Drop & Blck- Aerial		427.25
2422.100	Undrgr Cab-Metal		300.36

2422.200	Undrgr Cab- Non-Metal	3,415.34
2423.100	Buried Cable Metal	442,497.51
2423.200	Buried Cable-Non Metal	76,516.84
2423.300	Drp & Blck- Buried	61,659.40
2441.000	Conduit Systems	18,836.99

Adjustment to exclude prior years LEC and ODC charges

4510.000	<b>Partners Capital</b>	*****
4010.230	<b>Accounts Payable - NECA</b>	*****

To record Accounts Payable due to NECA for prior year  
LEC, ODC, and Pegasus charges  
(Note: This amount is currently being negotiated with  
NECA and is not known at this time.)

2000-01-01 to 2000-12-31  
11/20/00  
11/20/00

2000-01-01 to 2000-12-31  
11/20/00  
11/20/00

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Investigation )  
Into the Earnings of Cass County ) Case No.  
Telephone Company. )

**STIPULATION AND AGREEMENT**

COME NOW the Staff of the Missouri Public Service Commission ("Staff"), Cass County Telephone Company, Limited Partnership ("CassTel"), Local Exchange Company, LLC, ("LEC"),<sup>1</sup> FairPoint Communications, Inc. ("FairPoint"), FairPoint Communications Missouri, Inc. ("FairPoint Missouri") and the Office of Public Counsel ("OPC"), (sometimes hereinafter collectively referred to as the "Signatory Parties" or individually as a "Party") and state that the Staff has conducted an investigation into the earnings of CassTel. The Staff's earnings review was based on a calendar test year ending December 31, 2004, trued up through the first six months of 2005. Upon completion of its earnings review, the Staff and OPC began discussions with CassTel. As a result of extensive negotiations, the Signatory Parties stipulate and agree as follows:

I. **Definitions** The Signatory Parties, for purposes of this Stipulation and Agreement, agree to the following definitions:

A. **Closing Date:** the date of the closing of the sale of CassTel's assets to FairPoint Missouri that is the subject of Commission

---

<sup>1</sup> Although LEC is a party to this Stipulation and Agreement, LEC does not alter or waive its contention that it is not subject to the Commission's regulatory supervision and does not, by virtue of signing this agreement, consent or concede to the jurisdiction of the Commission over LEC's business or its members.

Case No. TM-2006-0306. The Closing Date shall not precede the Effective Date.

B. **Effective Date:** the latter of the date the Commission makes an order approving this Stipulation and Agreement without modification effective or the date the Commission denies a motion to rehear such an order. The Effective Date shall precede or be contemporaneous with the Closing Date.

C. **Credit Qualifying Customer:** A customer (other than CassTel, LEC, LLC, or any owner or officer, current or former, of CassTel or LEC, LLC in order to avoid any appearance of conflict of interest or impropriety) that is paying the full tariff rate for and receiving basic local telecommunications service in Missouri from CassTel ("Basic Local Service") on the Effective Date and who has been paying the full tariff rate for and receiving such service from CassTel on a continuous basis since January 1, 2005.

D. **Cash Distribution Qualifying Customer:** A customer (other than CassTel, LEC, LLC, or any owner or officer, current or former, of CassTel or LEC, LLC in order to avoid any appearance of conflict of interest or impropriety) that is paying the full tariff rate for and receiving basic local telecommunications service in Missouri from CassTel ("Basic Local Service") on the Closing Date and who has been paying the full tariff rate for and receiving such service from CassTel on a continuous basis since January 1, 2005.

## **II. Combined Customer Credit and Advance Cash Distribution**

The Signatory Parties agree to the following:

**A. Customer Credit:** CassTel, or FairPoint Missouri<sup>2</sup> if the Closing Date precedes issuance of the customer credit, will issue a credit to each Credit Qualifying Customer. The aggregate amount of these credits shall be \$350,000. The credit for each Credit Qualifying Customer shall be \$350,000 divided by the total number of Missouri access lines billed to Credit Qualifying Customers as of the Effective Date, then multiplied by the number of Missouri access lines billed to the Credit Qualifying Customer as of the Effective Date. Expressed by a mathematical formula each Credit Qualifying Customer's credit = the number of Missouri access lines billed to the Credit Qualifying Customer as of the Effective Date x (\$350,000 / the total number of Missouri access lines billed to Credit Qualifying Customers as of the Effective Date). Credit Qualifying Customers shall receive the credit no later than the completion of the second billing cycle following the Effective Date.

**B. Cash Distribution:** CassTel agrees to pay Cash Distribution Qualifying Customers in Missouri the aggregate amount of \$3.25 million within 10 days after the Closing Date pursuant to the following process: On the Closing Date, FairPoint Missouri will withhold \$3.25 million of CassTel / LEC's proceeds from the sale in trust for the benefit of the Cash Distribution Qualifying Customers for the purpose of

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<sup>2</sup> On January 23, 2006, a Joint Application was filed with the Commission for authority for CassTel to sell its regulated Missouri operations to FairPoint Communications Missouri, Inc., a case docketed by the Commission as Case No. TM-2006-0306.

making the cash distributions, and will make the cash distributions. The cash distribution to each Cash Distribution Qualifying Customer shall be \$3.25 million divided by the total number of Missouri access lines billed to Cash Distribution Qualifying Customers as of the Closing Date then multiplied by the number of Missouri access lines billed to the Cash Distribution Qualifying Customer as of the Closing Date. Expressed by a mathematical formula each Cash Distribution Qualifying Customer's advance cash distribution = the number of Missouri access lines billed to the Cash Distribution Qualifying Customer as of the Closing Date x (\$3.25 million / the total number of Missouri access lines billed to Cash Distribution Qualifying Customer access lines as of the Closing Date).

**C. Customer Notice and Default Provisions:**

(1) With respect to the customer credit of §II.A., above, CassTel will mail written notice to all Credit Qualifying Customers that are receiving basic local telecommunications service in Missouri from CassTel ("Basic Local Service") on the Effective Date advising them of the credit no later than thirty (30) days after the Effective Date. If a Credit Qualifying Customer discontinues receiving Basic Local Service before receiving the customer credit, CassTel or FairPoint Missouri, as applicable, will, in lieu of the credit, issue to the Credit Qualifying Customer a check in the amount of the credit due and mail the check to the last known billing address of the Credit Qualifying Customer.

(2) With respect to the cash distribution of §II.B., above, FairPoint Missouri must mail written notice to all Cash Distribution Qualifying Customers who receive basic local telecommunications service in Missouri from CassTel ("Basic Local Service") on the Closing Date that advises those customers of the cash distribution no later than thirty (30) days after the Closing Date. FairPoint Missouri must pay the advance cash distribution by mailing a check in the amount of the cash distribution due the Cash Distribution Qualifying Customer to the last known billing address of the Cash Distribution Qualifying Customer.

(3) After the foregoing procedures are used to distribute credits and cash distributions, all remaining credits and cash distributions shall be tendered in the form of a payment to the West Central Missouri Community Action Agency for use in funding that agency's low-income housing energy assistance program.

(4) Within one hundred and twenty (120) days after the Closing Date, the Executive Director of the Commission must receive from CassTel or FairPoint Missouri a report that shows (1) the credits issued (and payments issued in lieu thereof), (2) the cash distributions made and (3) the amount paid to the West Central Missouri Community Action Agency. The report shall identify which part of the amount paid to the West Central Missouri Community Action Agency originated from credits and which part originated from cash distributions.



**D. Rate Schedule Revisions:** CassTel's existing rate schedules do not require revision to implement this Agreement, including the credits and cash distributions.

**E. Failure of Performance as Breach of Agreement:** Failure to make any of the credits or payments set forth in this Agreement is a material breach of this Agreement whereupon the Staff and/or OPC may immediately file an overearnings complaint or take other action.

**III. Accounting Authority Order:** The Signatory Parties have entered into this Agreement anticipating the sale of CassTel's assets to FairPoint Missouri, which will become regulated by the Commission. The Signatory Parties agree a material condition of this Agreement is the Commission's grant of the following accounting authority:

**A.** Authorize FairPoint Missouri to amortize, based on the actual days of the month, as a reduction of booked local revenues, and as more specifically set forth in Appendix A hereto, \$3.6 million — the sum total of the credits and cash distributions set forth in §II of this Agreement — during the post-Closing Date moratorium set forth in §IV of this Agreement; and

**B.** Authorize CassTel to amortize, based on the actual days of the month, as a reduction of booked local revenues, \$350,000 (i.e., the amount of the §II.A., customer credit), for a period of one year commencing on the Effective Date, if the Closing Date is not within forty-five (45) days after the Effective Date.

C. Authorize FairPoint Missouri to amortize, based on the actual days of the month, \$350,000 in accordance with §III.B, the preceding paragraph, if the Closing Date is after CassTel begins amortizing \$350,000 as a reduction of booked local revenues in accordance with §III.B.

D. The purpose of these accounting orders is to spread, for accounting purposes, the impact of the credits and distributions (§§II.A. and II.B. above) over the rate moratorium period (§IV. below) rather than when they are incurred.

#### **IV. Rate Moratorium:**

A. Except as set forth in §IV.B., below, if CassTel amortizes the customer credit in accordance with §III.B. above, no Party shall file an earnings complaint case concerning CassTel before January 1, 2007.

B. If the Closing Date occurs, no Party will file a general rate increase case or file or aid in the filing of a rate complaint case concerning the rates of CassTel or FairPoint Missouri, as applicable, during the two years (730 days) following the Effective Date, unless a significant, unusual event that has a major impact on CassTel or FairPoint Missouri, as applicable, occurs, an event such as:

- (a) terrorist activity or an act of God;
- (b) a significant change in federal or Missouri state tax law;
- (c) a significant change in federal or Missouri state utility laws or legislation affecting telephone companies; or

- (d) fraud, misrepresentation or nondisclosure of material matters relating to the finances or operations of CassTel.

And, further, that any rate adjustment resulting from any such rate increase or earnings complaint case would not become effective until at least six (6) months after a rate increase or rate complaint case is filed; provided that, nothing herein is intended to limit the exercise of the authority the Commission has under §386.390 RSMo on its own motion. This provision would not preclude the filing of revised tariffs and rates that are revenue neutral to CassTel or FairPoint Missouri, as applicable.

**V. Rate-of-Return Regulation:** CassTel agrees, and FairPoint Missouri also agrees if the Closing Date occurs, not to seek a status where it is not subject to rate-of-return regulation until after a Commission order is effective, final and non-appealable in a case where Missouri basic local telephone service rates for CassTel or FairPoint Missouri, as applicable, are reviewed by the Commission; therefore, until then CassTel and FairPoint Missouri, as applicable, shall not seek competitive classification under §392.361 RSMo 2000 or price cap status or competitive status under §392.245 RSMo Supp. 2005 or under any other statute. CassTel, LEC, FairPoint and FairPoint Missouri consent to the inclusion of this obligation as a condition to the transfer of CassTel's assets to FairPoint Missouri in Case No. TM-2006-0306.

**VI. General Provisions:**

**A. Effective Date of this Agreement:** This Agreement shall become effective upon the Effective Date defined in §I.B.

**B. Reliance on Certain Representations:** The Signatory Parties enter into this Agreement in reliance upon information provided to them by CassTel and LEC. If the Commission finds CassTel or LEC failed to provide the Staff or OPC with material and relevant information in the possession of either of them or in the event the Commission finds that CassTel or LEC misrepresented facts material and relevant to this Agreement, this Agreement shall be terminated.

**C. Contingent Waiver of Rights:**

(1) This Agreement has resulted from extensive negotiations among the Signatory Parties and the terms hereof are interdependent. In the event the Commission does not approve this Agreement without modification, then this Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as otherwise provided herein.

(2) No Party shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none shall be prejudiced or bound in any manner by the terms of this Agreement in any proceeding, whether this Agreement is approved or not, except as otherwise expressly specified herein.

(3) If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void, neither this Agreement, nor any matters associated

with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Signatory Parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

(4) If the Commission accepts the specific terms of this Agreement, for the case established by the Commission for consideration of this Agreement, the Signatory Parties waive their respective rights pursuant to §536.070(2), RSMo to call, examine and cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission order respecting this Agreement issued in a proceeding for Commission review of this Agreement, and does not apply to any matters raised in any prior or

subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

**D. Right to Disclose:**

(1) The Staff shall file suggestions or a memorandum in support of this Agreement. Each Party shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) business days of receipt of the Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all Parties, including the Staff. The contents of any suggestions or memorandum provided by any party are its own, are not acquiesced in or otherwise adopted by the other Signatory Parties, whether or not the Commission approves and adopts this Agreement.

(2) At any Commission agenda meeting at which this Agreement is noticed to be considered by the Commission, the Staff also shall have the right to provide whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order issued by the Commission in this case.

E. **Integration:** This Agreement incorporates all the agreements of the Signatory Parties with regard to all issues examined in the context of the Staff's earnings investigation of CassTel.

WHEREFORE, for the foregoing reason, the undersigned Signatory Parties respectfully request that the Commission issue its order approving this Agreement in its entirety, without modification.

Respectfully submitted,

*Wm K Hoos #28701*  
*for Nathan Williams*

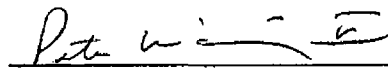
Nathan Williams #35512  
Senior Counsel  
Public Service Commission  
P. O. Box 360  
Jefferson City, Missouri 65102  
Telephone: (573) 751-8701  
Facsimile: (573) 751-9285  
Email: nathan.williams@psc.mo.gov

FOR: Staff of the Missouri Public  
Service Commission

*W R England*

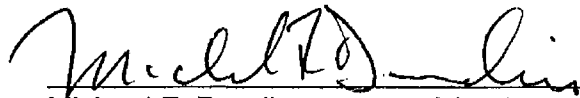
W. R. England, II #23975  
Paul A. Boudreau #33155  
Brydon, Swearingen & England, P.C.  
312 East Capitol Avenue  
P. O. Box 456  
Jefferson City, Missouri 65102  
Telephone: (573) 635-7166  
Facsimile: (573) 635-0427  
Email: trip@brydonlaw.com

FOR: Cass County Telephone  
Company, Limited Partnership



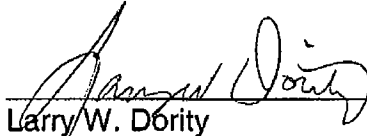
Peter Mirakian, III #47841  
Mark A. Thornhill #26326  
Spencer, Fane, Britt & Browne LLP  
1000 Walnut, Suite 1400  
Kansas City, MO 64106  
Office: (816) 474-8100  
Fax: (816) 474-3216  
pmirakian@spencerfane.com

FOR: Local Exchange Company, LLC



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Jefferson City, Missouri 65102  
Telephone: (573) 751-5559  
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FOR: Office of the Public Counsel



Larry W. Dority #25617  
Fischer & Dority, P.C.  
101 Madison, Suite 400  
Jefferson City, O 65101  
(573) 636-6758  
(573) 636-0383  
iwdority@sprintmail.com

FOR: FairPoint Communications, Inc.  
and FairPoint Communications  
Missouri, Inc.



### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all signatory counsel this 30<sup>th</sup> day of March 2006.

/s/ William K. Haas  
William K. Haas

**THE STATE CORPORATION COMMISSION    APR 17 2006**  
**OF THE STATE OF KANSAS**

In the Matter of an Investigation to Monitor       )  
the Criminal Proceedings Involving the               )  
President of Cass County Telephone Company       )  
to Ensure Continued Service to Cass County's       )  
Kansas Customers   )

*Susan T. Kelly*       Docket  
Room

Docket No. 05-GIMT-094-GIT

**JOINT MOTION FOR APPROVAL OF STIPULATED SETTLEMENT AGREEMENT**

COME NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) and Cass County Telephone Company Limited Partnership (CassTel) (the parties), and request that the Commission issue an order approving the Stipulated Settlement Agreement filed with this Motion. In support of this Motion, the parties state as follows:

1. On August 9, 2004, the Commission entered its Order 1: Opening Docket, Assessing Costs and Directing Cass County Telephone to Furnish Information (Order 1). Pursuant to Order 1, Staff began an investigation (the Investigation) of CassTel in light of the arrest of CassTel's then President, Kenneth M. Matzdorff. The purpose of the Investigation, as stated in Order 1, was to monitor "developments and to take any action that is required to ensure that Cass County's Kansas customers continue to receive sufficient and efficient telephone service."

2. CassTel is a rural local exchange carrier. Three hundred eighty-eight (388), or approximately five percent (5%), of its 7,990 access lines are in Kansas; the rest of its access lines are in Missouri.

3. On August 11, 2004, the Staff of the Missouri Public Service Commission (the "MoPSC") began an informal investigation of CassTel for reasons and purposes similar to those

stated in Order 1. The MoPSC opened a formal investigation case on January 14, 2005 (MoPSC Case No. TC-2005-0237). On April 8, 2005, the MoPSC filed a Complaint against CassTel (MoPSC Case No. TC-2005-0357) (the "Complaint Case"). On September 26, 2005, the MoPSC issued an order granting a Joint Motion of the MoPSC Staff and CassTel that suspended the Complaint Case in order to discuss the possibility of a settlement. As a result of those discussions, CassTel and the MoPSC Staff have agreed upon a Stipulation and Agreement in the Complaint Case pursuant to which CassTel will pay \$1 million to a fund designated by the MoPSC to settle all issues raised in the Complaint Case. The MoPSC also conducted an earnings review of CassTel. Based on that review, CassTel and the MoPSC Staff have entered into a Stipulation and Agreement pursuant to which CassTel will distribute \$3.25 million and issue service credits totaling another \$350,000 to its Missouri customers to settle all overearnings issues raised by the MoPSC Staff.

4. Staff has now completed the Investigation. Staff's findings, which are set forth in Staff's Report filed in this Docket on March 21, 2006 ("Staff's Report"), are similar to (and, indeed, incorporate) those set forth in the MoPSC Staff's Report Regarding the Impact of Criminal Activities on Missouri Telecommunications Consumers, which was originally issued on August 26, 2005 and reissued in final form on December 1, 2005. Given the unusual circumstances surrounding CassTel, Staff's Report also reflects and incorporates the MoPSC Staff's overearnings allocations to the Kansas jurisdiction. In agreeing to the settlement embodied in the Stipulated Settlement Agreement, CassTel has elected not to file a response to factual statements and recommendations in Staff's Report with which CassTel disagrees.

5. On February 1, 2006, CassTel, FairPoint Communications Missouri, Inc. (FairPoint), ST Long Distance, Inc. (ST LD), and LEC Long Distance, Inc. (LEC LD) jointly

applied to the Commission for an order allowing CassTel and LEC LD to transfer their Kansas facilities and telecommunications operations to FairPoint and ST LD (the Joint Application). The Joint Application was docketed as 06-FCMT-858-COC, 06-CCOT-859-CCS, and 06-CCOT-860-CCS. Upon the Commission's approval of the Joint Application and the closing of FairPoint's purchase of CassTel's assets, CassTel will cease to operate as a rural local exchange telecommunications company in the state of Kansas.

6. Staff and CassTel have spent considerable time and resources in connection with the Investigation. Staff's Report asserts allegations of violations of law by CassTel. Recognizing the expense and time that would be involved in bringing closure to the Investigation and this Docket to permit CassTel's assets to be sold as described in the Joint Application, the parties have made a good faith effort to reach an agreement, pursuant to which CassTel will make payments to the Kansas General Fund and to its Kansas customers that are proportionate to the payments it is making in Missouri on a per-line basis.

7. As a result of negotiations, the parties have reached the stipulations and agreements contained in the attached Stipulated Settlement Agreement (Agreement), affixed to this Motion as "Attachment A." In addition to the parties to this Motion, FairPoint is a party to the Agreement for purposes of performing certain portions of the Agreement that must be performed after approval and closing of the sale of CassTel to FairPoint. Because all parts of this Agreement are interrelated, the parties to the Agreement agree to be bound by the Agreement only if the Commission approves the Agreement in its entirety.

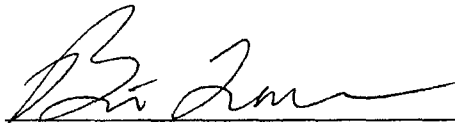
8. The parties believe the attached Agreement represents a fair and equitable resolution of the issues contained in this proceeding. The parties agree that the terms of this Agreement are in the public interest and should be approved by the Commission. The parties

further believe that approval of the Agreement will promote settlement among disputing parties and result in administrative efficiency.

WHEREFORE, the parties respectfully request the Commission issue an order approving the attached Stipulated Settlement Agreement, and for any further relief the Commission deems just and appropriate.

Respectfully Submitted,

STAFF OF THE KANSAS CORPORATION  
COMMISSION



Bret Lawson KS Bar No. 14729  
Assistant General Counsel  
Kansas Corporation Commission  
1500 S.W. Arrowhead Road  
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Facsimile: (785) 271-3167

SPENCER FANE BRITT & BROWNE LLP

Peter Mirakian III KS Bar No. 19661  
1000 Walnut Street, Suite 1400  
Kansas City, MO 64106-2140  
Telephone: (816) 474-8100  
Facsimile: (816) 474-3216

ATTORNEYS FOR CASS COUNTY TELEPHONE  
COMPANY LIMITED PARTNERSHIP

further believe that approval of the Agreement will promote settlement among disputing parties and result in administrative efficiency.

WHEREFORE, the parties respectfully request the Commission issue an order approving the attached Stipulated Settlement Agreement, and for any further relief the Commission deems just and appropriate.

Respectfully Submitted,

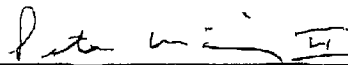
STAFF OF THE KANSAS CORPORATION  
COMMISSION

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Facsimile: (785) 271-3167

SPENCER FANE BRITT & BROWNE LLP

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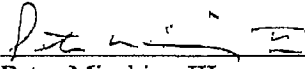
  
Peter Mirakian III KS Bar No. 19661  
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Kansas City, MO 64106-2140  
Telephone: (816) 474-8100  
Facsimile: (816) 474-3216

ATTORNEYS FOR CASS COUNTY TELEPHONE  
COMPANY LIMITED PARTNERSHIP

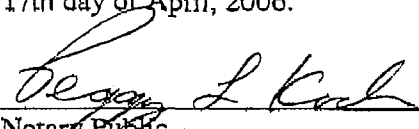
VERIFICATION

STATE OF MISSOURI     )  
                                  ) ss.  
COUNTY OF JACKSON    )

Peter Mirakian III, of lawful age and duly sworn, hereby states that he has read the foregoing Joint Motion for Approval of Stipulation and Agreement and that the information contained therein is true and accurate to the best of his knowledge and belief.

  
\_\_\_\_\_  
Peter Mirakian III

Subscribed and sworn before me this 17th day of April, 2006.

  
\_\_\_\_\_  
Notary Public

**PEGGY L. KOCH**  
Notary Public - Notary Seal  
STATE OF MISSOURI  
Clay County

My commission expires: \_\_\_\_\_

**My Commission Expires: March 31, 2009**  
**Commission # 05463600**

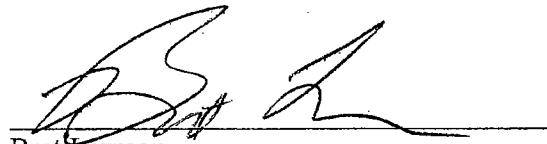
**VERIFICATION**

STATE OF KANSAS       )  
                                  )  
COUNTY OF SHAWNEE   )

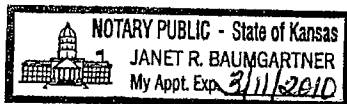
SS:

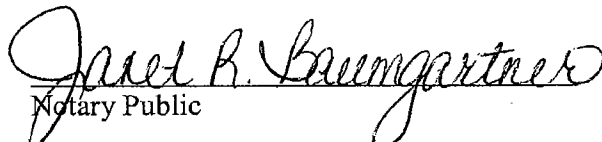
Bret Lawson, of lawful age, being first duly sworn upon oath states:

That he is the attorney for the Corporation Commission Staff in this matter; that he has read and is familiar with the foregoing Staff's Report that the statements made there in are true and correct to the best of his information, knowledge and belief.

  
Bret Lawson

SUBSCRIBED AND SWORN to before me this 14th day of April, 2006.



  
Notary Public

My Appointment Expires:

March 11, 2010



**Stipulated Settlement Agreement**

This Stipulated Settlement Agreement (this “Agreement”) is made as of this 17th day of April, 2006, by and between the Staff of the Kansas Corporation Commission (“Staff”), Cass County Telephone Company Limited Partnership (“CassTel”), and FairPoint Communications Missouri, Inc. (“FairPoint”) (each, individually, a “Party”; collectively, the “Parties”), and shall take effect upon approval by the Kansas Corporation Commission (the “Commission”).

**Background Recitals**

On August 9, 2004, the Commission entered its Order 1: Opening Docket, Assessing Costs and Directing Cass County Telephone to Furnish Information (“Order 1”). Pursuant to Order 1, Staff began an investigation (the “Investigation”) of CassTel in light of the arrest of CassTel’s then President, Kenneth M. Matzdorff. The purpose of the Investigation, as stated in Order 1, was to monitor “developments and to take any action that is required to ensure that Cass County’s Kansas customers continue to receive sufficient and efficient telephone service.”

CassTel is a rural local exchange carrier. Three hundred eighty-eight (388), or approximately five percent (5%), of its 7,990 access lines are in Kansas; the rest of its access lines are in Missouri.

On August 11, 2004, the Staff of the Missouri Public Service Commission (the “MoPSC”) began an informal investigation of CassTel for reasons and purposes similar to those stated in Order 1. The MoPSC opened a formal investigation case on January 14, 2005 (MoPSC Case No. TC-2005-0237). On April 8, 2005, the MoPSC filed a Complaint against CassTel (MoPSC Case No. TC-2005-0357) (the “Complaint Case”). On September 26, 2005, the MoPSC issued an order granting a Joint Motion of the MoPSC Staff and CassTel that suspended

the Complaint Case in order to discuss the possibility of a settlement. As a result of those discussions, CassTel and the MoPSC Staff have agreed upon a Stipulation and Agreement in the Complaint Case pursuant to which CassTel will pay \$1 million to a fund designated by the MoPSC to settle all issues raised in the Complaint Case. The MoPSC also conducted an earnings review of CassTel. Based on that review, CassTel and the MoPSC Staff have entered into a Stipulation and Agreement pursuant to which CassTel will distribute \$3.25 million and issue service credits totaling another \$350,000 to its Missouri customers to settle all overearnings issues raised by the MoPSC Staff.

Staff has now completed the Investigation. Staff's findings, which are set forth in Staff's Report filed in this Docket on March 21, 2006 ("Staff's Report"), are similar to (and, indeed, incorporate) those set forth in the MoPSC Staff's Report Regarding the Impact of Criminal Activities on Missouri Telecommunications Consumers, which was originally issued on August 26, 2005 and reissued in final form on December 1, 2005. Given the unusual circumstances surrounding CassTel, Staff's Report also reflects and incorporates the MoPSC Staff's overearnings allocations to the Kansas jurisdiction. In agreeing to the settlement embodied in this Agreement, CassTel has elected not to file a response to factual statements and recommendations in Staff's Report with which CassTel disagrees.

On February 1, 2006, CassTel, FairPoint, ST Long Distance, Inc. ("ST LD"), and LEC Long Distance, Inc. ("LEC LD") jointly applied to the Commission for an order allowing CassTel and LEC LD to transfer their Kansas facilities and telecommunications operations to FairPoint and ST LD (the "Joint Application"). The Joint Application was docketed as 06-FCMT-858-COC, 06-CCOT-859-CCS, and 06-CCOT-860-CCS. Upon the Commission's approval of the Joint Application and the closing of FairPoint's purchase of CassTel's assets,

CassTel will cease to operate as a rural local exchange telecommunications company in the state of Kansas.

Staff and CassTel have spent considerable time and resources in connection with the Investigation. Staff's Report asserts allegations of violations of law by CassTel. Recognizing the expense and time that would be involved in bringing closure to the Investigation and this Docket and to permit CassTel's assets to be sold as described in the Joint Application, the Parties have agreed to enter into this Agreement, pursuant to which CassTel will make payments to the Kansas General Fund and to its Kansas customers that are proportionate to the payments it is making in Missouri on a per-line basis.

#### **Agreement**

**Now, therefore,** in consideration of the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

1.     **Payments.** Subject to the conditions, limitations and agreements set forth below, CassTel agrees (i) to make a payment to the Kansas General Fund in the amount of Fifty-One Thousand Thirty-Nine Dollars and Twenty Cents (\$51,039.20) less the aggregate amount of all payments foregone pursuant to the KUSF Relinquishment (as defined below) (the "GF Payment"), (ii) to make the Customer Cash Distribution Payments (as defined below), (iii) to issue the Customer Credits (as defined below), and (iv) to forego any future payments from the Kansas Universal Service Fund ("KUSF") beginning with the first KUSF payment due in April 2006 (for the March 2006 data month) and continuing until the closing date (the "Closing Date") of the sale of CassTel's assets to FairPoint (or any other buyer) (the "KUSF Relinquishment" and, collectively with the GF Payment, the Customer Cash Distribution Payments, and the Customer Credits, the "Settlement Payments").

2. **Conditions to FairPoint's Obligations; Substitute Buyer.** FairPoint's obligations hereunder shall be conditioned on the occurrence of the closing of FairPoint's purchase of the assets of CassTel after the Commission's approval of the Joint Application. FairPoint's obligations hereunder are limited to those specifically stated herein. If CassTel negotiates the sale of its assets to a buyer other than FairPoint, that other buyer shall join as a party to this Agreement or otherwise agree to be bound by the terms of this Agreement in the place of FairPoint in all respects.

3. **Timing and Manner of Payments.**

(a) *The GF Payment.* The GF Payment will be made within ninety (90) days of an order approving this Agreement in this Docket, or ten business days prior to the Closing Date, whichever occurs first.

(b) *The Customer Cash Distribution Payments.* CassTel will pay to the Cash Distribution Qualifying Customers (as defined below) in Kansas the aggregate amount of One Hundred Sixty-Five Thousand Eight Hundred Seventy-Seven Dollars and Forty Cents (\$165,877.40) (the "Customer Cash Distribution Amount") within ten days after the Closing Date pursuant to the following process (collectively, the "Customer Cash Distribution Payments"). On the Closing Date, FairPoint will withhold an amount equal to the Customer Cash Distribution Amount from CassTel's proceeds from the sale of its assets. FairPoint shall hold the Customer Cash Distribution Amount in trust for the benefit of the Cash Distribution Qualifying Customers for the purpose of making the Customer Cash Distribution Payments. FairPoint shall pay to each Cash Distribution Qualifying Customer an amount equal to the number of Kansas access lines billed to such

Cash Distribution Qualifying Customer as of the Closing Date multiplied by the quotient of the Customer Cash Distribution Amount divided by the total number of Kansas access lines billed to Cash Distribution Qualifying Customers as of the Closing Date.

(c) *The Customer Credits.* CassTel, or FairPoint if the Closing Date precedes issuance of the customer credits described in this Section 3(c), will issue a credit to each Credit Qualifying Customer (as defined below) in the manner described below (collectively, the “Customer Credits”). The aggregate amount of the Customer Credits shall be Seventeen Thousand Eight Hundred Sixty-Three Dollars and Seventy-Two Cents (\$17,863.72) (the “Customer Credit Amount”). The Customer Credit for each Credit Qualifying Customer shall be an amount equal to the number of Kansas access lines billed to such Credit Qualifying Customer as of the date that this Agreement becomes effective pursuant to Section 10 (the “Effective Date”) multiplied by the quotient of the Customer Credit Amount divided by the total number of Kansas access lines billed to Credit Qualifying Customers as of the Effective Date. The Customer Credits shall be credited to the Credit Qualifying Customers no later than the completion of the second billing cycle following the Effective Date.

(d) *Definitions.* For purposes of this Agreement, the following terms shall have the meanings set forth below:

(i) The term “Credit Qualifying Customer” shall mean a customer (other than CassTel, Local Exchange Company, L.L.C. (“LEC”), or any owner or officer, current or former, of CassTel or LEC) that is paying the full tariff rate for and receiving local exchange telecommunications service (“Local Service”) in

Kansas from CassTel on the Effective Date and who has been paying the full tariff for and receiving Local Service in Kansas from CassTel on a continuous basis since January 1, 2005.

(ii) The term "Cash Distribution Qualifying Customer" shall mean a customer (other than CassTel, LEC, or any owner or officer, current or former, of CassTel or LEC) that is paying the full tariff rate for and receiving Local Service in Kansas from CassTel on the Closing Date and who has been paying the full tariff rate for and receiving Local Service in Kansas from CassTel on a continuous basis since January 1, 2005.

(e) *Customer Notice and Default Provisions.*

(i) With respect to the Customer Credits, CassTel will mail written notice no later than 30 days after the Effective Date to all Credit Qualifying Customers advising them of the Customer Credit. If a Credit Qualifying Customer discontinues receiving Local Service in Kansas from CassTel before receiving the Customer Credit, CassTel or FairPoint (as applicable) will, in lieu of the Customer Credit, issue to the Credit Qualifying Customer a check in the amount of the credit due and mail the check to the last known billing address of the Credit Qualifying Customer.

(ii) With respect to the Customer Cash Distribution Payments, FairPoint will mail written notice no later than 30 days after the Closing Date to all Cash Distribution Qualifying Customers who receive Local Service in Kansas from CassTel on the Closing Date, advising those customers of the Customer

Cash Distribution Payments. FairPoint will pay the Customer Cash Distribution Payments by mailing a check in the amount of the cash due to each Cash Distribution Qualifying Customer to the last known billing address of such Cash Distribution Qualifying Customer.

(iii) After following the foregoing procedures, any Customer Cash Distribution Payments or Customer Credits that remain uncollected by customers because of an inability to locate customers entitled to such credits and payments shall be tendered in the form of a payment to the Kansas General Fund.

(iv) Within 120 days after the Closing Date, CassTel or FairPoint will deliver to the Commission a report that shows (1) the aggregate amount of Customer Credits issued and payments issued in lieu thereof, (2) the aggregate amount of Customer Cash Distribution Payments made, and (3) the aggregate amount paid to the Kansas General Fund pursuant to Section 3(e)(iii). The report shall identify the amount of any such payment to the Kansas General Fund originating from the Customer Credits and the amount originating from the Customer Cash Distribution Payments.

(f) *Rate Schedule Revisions.* By approving this Agreement, the Commission acknowledges and agrees that CassTel's existing rate schedules do not require revision to implement this Agreement, including the portions of this Agreement calling for the Settlement Payments.

(g) *Failure of Performance as Breach of Agreement.* Failure to make any of the Settlement Payments shall be deemed a material breach of this Agreement whereupon

the Staff may immediately file an overearnings complaint or take other appropriate action.

4. **Release.** By approving this Agreement, the Commission hereby settles, and releases CassTel, its partners, and their successors, assigns, officers, directors, members, managers, employees, agents, or affiliates from, all complaints, allegations of overearning, claims, suits, choses in action, charges, and other actions, whether asserted or unasserted, arising out of or related to information received by Staff in the context of this Docket (collectively, "Potential Complaints"). The payment of the Settlement Payments represents full consideration for this comprehensive settlement and release.

5. **Certification of CassTel for Receipt of USF Funds.** The Parties agree that CassTel has implemented sufficient financial and managerial controls to justify its certification for receipt of federal Universal Service Fund ("USF") disbursements. CassTel is an eligible telecommunications carrier under Section 214(e)(2) of the federal Telecommunications Act, 47 U.S.C. §214(e)(2) (1996) (the "Federal Act"). In accordance with Section 54.314 of the Federal Communications Commission's Rules, 47 C.F.R. §54.314 (2004), CassTel will submit an annual certification form identified in Docket No. 05-GIMT-112-GIT to the Commission immediately following the Effective Date. Staff recommends that, upon receipt of this form and Commission approval of the sale of CassTel to FairPoint, the Commission (i) designate FairPoint as an incumbent rural telecommunications carrier and an eligible telecommunications carrier under Section 214(e)(2) of the Federal Act effective upon the Closing Date, (ii) certify prospectively to the FCC and the Universal Service Administrative Company ("USAC") to be effective no later than the Closing Date, for the remainder of the current certification period, that all federal high-cost support provided to CassTel (or FairPoint for periods following the Closing Date) will be



used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, and (iii) promptly (but in no event more than five days after approval of the Joint Application) transmit its prospective certification to the FCC and USAC; provided, however, that if the sale of CassTel does not occur and LEC retains majority ownership of CassTel, Staff will recommend prospective certification only if the day-to-day management of CassTel is performed by a third party acceptable to Staff. CassTel or its successor will remain obligated to comply with the Commission's certification requirements and procedures developed in Docket No. 05-GIMT-112-GIT for subsequent certification periods.

6. **Prior Period Certification.** The commitment to recommend prospective certification to the FCC does not preclude Staff from making a recommendation of certification for prior periods if it so chooses. However, a recommendation for prior period certification is subject to CassTel providing a plan to the Commission identifying how such past federal USF receipts will be used. Any such plan must continue for two annual federal USF certification processes. Any such recommendation for prior period certification will be subject to CassTel filing corrected data with USAC and the National Exchange Carrier Association ("NECA").

7. **Annual Reports.** CassTel's 2005 Annual Report, which shall be filed with the Commission with CassTel's 2005 audited financial statements, shall include the adjusting entries identified in Attachment I, attached hereto. The Parties agree that such adjustments represent an accurate valuation of CassTel's plant in service and depreciation reserves. CassTel will supplement its 1996-2004 Annual Reports to the Commission to refer readers to the adjustments made in CassTel's 2005 Annual Report and audited financial statements. If CassTel seeks federal USF certification for prior years, CassTel will submit a corrected Annual Report for each year related to such prior period certification.

8. **Agreement is in the Public Interest.** The Parties agree that the terms of this Agreement are in the public interest and should be approved by the Commission. Any Potential Complaints are likely to lead to protracted litigation on a number of issues which can better be addressed in the manner set forth in this Agreement. A settlement will allow CassTel to concentrate its energies on providing safe, reliable and affordable telecommunications service and completing the sale of its assets to FairPoint. This Agreement will further allow Staff to focus on the Joint Application, which must be approved to bring about a change in the ownership of CassTel.

9. **Misrepresentations.** The Parties enter into this Agreement in reliance upon information provided to them by CassTel and its general partner, LEC. In the event the Commission finds that CassTel or LEC failed to provide Staff with material and relevant information in the possession of either of them that was duly requested by Staff or in the event the Commission finds that CassTel or LEC misrepresented facts material and relevant to this Agreement, this Agreement shall be terminated.

10. **Commission Approval.** This Agreement shall become effective only upon Commission approval without modification by final Commission order. Such order shall become "final" either by issuance of a Commission order on reconsideration or, if there is no reconsideration, on the effective date of the order.

11. **No Response to Staff's Report.** In entering into this Agreement, CassTel has agreed not to file a responsive pleading to correct factual statements or to challenge legal conclusions in Staff's Report that CassTel believes to be inaccurate.

12. **Terms Interdependent.** This Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. Unless and until this Agreement becomes effective pursuant to Section 10, no Party shall be bound by any of the agreements or provisions hereof, nor shall any provision be deemed as an admission against interest or as a waiver of any legal defense, right, or objection. The stipulations herein are specific to the resolution of this proceeding and the matters specifically addressed in this Agreement. All stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings.

13. **Effects of Agreement.** This Agreement is being entered into for the purpose of disposing of all issues in this Docket and the matters specifically addressed in this Agreement. None of the Parties to this Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking principle or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Agreement in this or any other proceeding, whether this Agreement is approved or not, except as otherwise expressly specified herein.

14. **No Waiver.** All Parties further understand and agree that the provisions of this Agreement relate only to the specific matters referred to in the Agreement and no Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Agreement.

15. **Binding Agreement.** When approved and adopted by the Commission, this Agreement shall constitute a binding agreement between the Parties. The Parties shall cooperate

in defending the validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

16. **Entire Agreement.** This Agreement contains the entire agreement of the Parties concerning the subject matter hereof and supercedes any prior agreements and understandings (oral or written) between the Parties with respect to its subject matter.

17. **Witnesses.** The Parties are prepared to present a party witness to the Commission in support of this Agreement, and to provide to the Commission whatever further explanation the Commission requests. Any rationales for settlement advanced by Staff or CassTel are independent of each other and not acquiesced in or otherwise adopted by the other.

(The remainder of this page has been left blank intentionally.)

In Witness Whereof, the Parties have caused this Agreement to be duly executed as of the day and year first set forth above.

Staff of the Kansas Corporation Commission



Bret Lawson KS Bar No. 14729

Assistant General Counsel  
Kansas Corporation Commission  
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ATTORNEYS FOR CASS COUNTY TELEPHONE  
COMPANY LIMITED PARTNERSHIP

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James M. Caplinger KS Bar No. 4738

823 West 10th Street  
Topeka, KS 66612-1618  
Telephone: (785) 232-0495  
Facsimile: (785) 232-0724

ATTORNEYS FOR FAIRPOINT  
COMMUNICATIONS MISSOURI, INC.

**In Witness Whereof**, the Parties have caused this Agreement to be duly executed as of the day and year first set forth above.

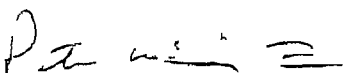
Staff of the Kansas Corporation Commission

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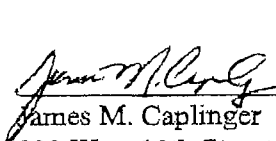
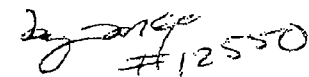
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ATTORNEYS FOR FAIRPOINT  
COMMUNICATIONS MISSOURI, INC.

## **Attachment I**



**CONFIDENTIAL**

Cass County Telephone Company  
 Adjusting Entries: LEC, LLC, Overland Data, and Pegasus Prior Year charges  
 2005

Account No.	Description	Debit	Credit
<b>Plant in Service</b>			
2111.000	Land		\$ 158.98
2121.000	Buildings		19,978.67
2122.000	Furniture		54.58
2123.200	CO Communication Equip		81.75
2124.000	General Purpose Comp		436.77
2212.000	Digital Elec. Switch		101,710.26
2212.100	Digital Elec-Remote		73,977.12
2212.200	Digital Elec-SFTWR		7,136.73
2212.300	Digital Elec-Common		13,249.77
2212.400	Digital Elec-Power		15,276.54
2232.100	Analog Circuit Equip		26,593.66
2232.200	Digital Circuit Equip		72,657.43
2232.300	Circ Equip Other		65.07
2232.500	Circ Equip-Fiber Opt		42,285.07
2411.000	Poles		2,214.90
2421.100	Aerial Cable-Metal		4,429.56
2421.200	Aerial Cable-Non-Metal		6,258.47
2421.300	Drop & Bck- Aerial		427.25
2422.100	Undrgr Cab-Metal		300.36
2422.200	Undrgr Cab- Non-Metal		3,415.34
2423.100	Buried Cable Metal		442,497.51
2423.200	Buried Cable-Non Metal		76,516.84
2423.300	Drp & Bck- Buried		61,659.40
2441.000	Conduit Systems		18,836.99
Total			<u>\$ 990,219.02</u>
<b>Accumulated Depreciation</b>			
3121.210	Buildings	\$ 3,619.49	
3121.220	Furniture	31.36	
3121.232	CO Communication Equip	69.12	
3121.240	General Purpose Comp	513.44	
3122.120	Digital Elec. Switch	33,643.42	
3122.121	Digital Elec-Remote	14,957.70	
3122.122	Digital Elec-SFTWR	1,201.28	
3122.123	Digital Elec-Common	3,865.92	
3122.124	Digital Elec-Power	5,005.19	
3122.321	Circuit Equip-Subscriber	7,204.55	
3122.322	Digital Circuit Equip.	29,118.21	
3122.323	Circuit Equip.-Other	36.78	
3122.325	Circuit Equip-Fiber Optic	18,084.12	
3124.110	Poles	821.27	
3124.211	Aerial Cable-Metal	938.33	
3124.212	Aerial Cable-Non-Metal	938.93	
3124.213	Drop & Bck-Aerial	84.31	
3124.221	Underground Cable-Metal	28.92	
3124.222	Underground Cable-Non-Metal	343.76	
3124.231	Buried Cable-Metal	82,320.47	
3124.232	Buried Cable-Non-Metal	12,328.38	
3124.233	Drop & Bck-Buried	10,917.19	
3124.441	Conduit Systems	1,425.13	
Total		<u>\$ 227,497.27</u>	
4510.000	Partners' Capital		<u>762,721.75</u>

**CONFIDENTIAL**

CERTIFICATE OF SERVICE

05-GIMT-094-GIT

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Motion was placed in the United States mail, postage prepaid, or hand-delivered this 18th day of April, 2006, to the following:

KENNETH MATZDORFF, PRESIDENT  
CASS COUNTY TELEPHONE COMPANY  
PO BOX 398  
PECULIAR, MO 64078  
Fax: 816-758-6707 *non-confidential*

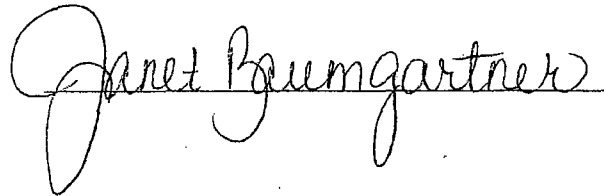
JANET ROGERS, VP COMMERCIAL OPERATIONS  
CASS COUNTY TELEPHONE COMPANY  
260 W FIRST ST  
PECULIAR, MO 64078  
Fax: 816-779-7598  
janetrog@casstel.net

BOB SCHOONMAKER, MANAGER  
CASS COUNTY TELEPHONE COMPANY  
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OVERLAND PARK, KS 66210  
Fax: 913-345-0736

A handwritten signature in cursive script, reading "Janet Baumgartner", written over a horizontal line.

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

Before Commissioners:                Brian J. Moline, Chair  
   Robert E. Krehbiel  
   Michael C. Moffet

In the Matter of an Investigation to Monitor        )  
the Criminal Proceedings Involving the            )  
President of Cass County Telephone                )        Docket No. 05-GIMT-094-GIT  
Company to Ensure Continued Service to           )  
Cass County's Kansas Customers.                   )

**ORDER APPROVING STIPULATED SETTLEMENT AGREEMENT**

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

1.        Cass County Telephone Company (Cass County) is a rural local exchange carrier headquartered in Peculiar, Missouri. Three hundred eighty-eight (388) of its 7,990 access lines are in Kansas; the remaining access lines are in Missouri. The Commission granted a Certificate of Convenience and Authority to Cass County on December 20, 1995 in Docket No. 193,304-U, 96-CCOT-098-COC.

2.        On March 21, 2006, the Commission's staff (Staff) filed its Report and Recommendation (Report) detailing the results of its investigation. Staff's Report incorporated the Report prepared by the Missouri Public Service Commission's staff following its investigation.

3.        On April 3, 2006, Cass County filed for an extension of time to file its response to Staff's Report. The Commission granted the motion on April 6, 2006. Cass County filed its

second motion seeking an extension on April 14, 2006. Cass County stated that the extension would expire upon the filing of a Stipulated Settlement Agreement on or before April 19, 2006.

4. On April 17, 2006, Cass County and Staff (parties) filed a Joint Motion for Approval of Stipulated Settlement Agreement. The Joint Motion seeks approval of the Stipulated Settlement Agreement (Agreement) that was attached to the Joint Motion. The parties stated that the Agreement represented a fair resolution of the issues and was in the public interest. The parties also stated that approval of the Agreement would promote settlement among disputing parties and result in administrative efficiencies.

5. The Agreement requires Cass County to make a payment to the Kansas General Fund of \$51,039.20, less the amount it will forego in KUSF payments beginning in April 2006 (the March 2006 data month) continuing through the date it closes the transaction transferring its assets to FairPoint Communications Missouri, Inc. (FairPoint). 06-FCMT-858-COC, 06-CCOT-859-CCS, and 06-CCOT-860-CCS. The Agreement also requires Cass County to make customer cash distribution payments to qualifying Kansas customers in the aggregate amount of \$165,877.40 and customer credits to qualifying Kansas customers in the aggregate amount of \$17,863.72. The amounts to be paid pursuant to the Agreement were calculated so that payments to the Kansas General Fund and payments and credits to Kansas customers are proportionate to the payments that will be made in Missouri on a per-line basis subject to the settlement the company reached following the investigation in Missouri.

6. In addition to the payments, the terms of the Agreement set forth a process for Universal Service Fund certification, designation of FairPoint as an eligible telecommunications carrier upon the closing date of its transaction with Cass County, corrections to the annual reports, and corrections to the company's audited financial statements in accordance with

Attachment 1 of the Stipulated Settlement Agreement. Approval of the Agreement will release Cass County from further actions arising out of or related to information Staff received in the context of its investigation in this docket. The Agreement states that completion of the settlement payments will represent full consideration for the comprehensive settlement and release.

7. Based upon the record in this case, the Commission finds that the Agreement should be approved. Upon fulfillment of the obligations in the Agreement, Cass County and its successor will be released from further Commission action arising out of or related to information Staff received in the context of its investigation in this docket. Such release shall not be deemed to limit the Commission's authority and responsibility to do all things necessary to maintain service quality and protect the public interest of Cass County's Kansas customers by addressing issues unrelated to the criminal activity that gave rise to this docket.

8. The Commission notes that certain actions are required of the parties and FairPoint pursuant to this Agreement. Cass County and FairPoint shall file verified statements in the docket when notices are sent to customers, payments and credits are complete, and when corrections are made to the annual reports, and adjustments to the company's audited financial statements in accordance with Attachment 1 of the Agreement are complete. Staff shall monitor events and notify the Commission when the requirements pursuant to the Agreement are completed. FairPoint is a signatory to the Agreement because it will be required to withhold funds from the purchase of Cass County to make the customer cash distributions. Solix is directed to stop KUSF disbursements to Cass County beginning with the April 2006 payment (March 2006 data month). Both FairPoint and Solix shall be served a copy of this order.

9. Cass County's second motion for extension of time to file a response to Staff's Report is dismissed as moot.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Stipulated Settlement Agreement between Staff, Cass County, and FairPoint is approved.

B. Cass County and FairPoint shall file verified statements in the docket when notices are sent to customers, payments and credits are made, and when corrections are made to the annual reports and the audited financial statements in accordance with Attachment 1 of the Stipulated Settlement Agreement. Staff shall monitor events and notify the Commission when the requirements pursuant to the Agreement are completed.

C. In addition to Cass County, Solix and FairPoint shall be served a copy of this order.

D. Cass County's second motion for extension of time to file a response to Staff's Report is dismissed as moot.

E. The parties have fifteen days, plus three days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118; K.S.A. 2005 Supp. 77-529(a)(1).

F. The Commission retains jurisdiction over the subject matter and the parties for the purpose of issuing such further order, or orders, as it may deem necessary.

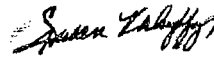
**BY THE COMMISSION IT IS SO ORDERED.**

Moline, Chr.; Krehbiel, Com.; Moffet, Com.

Dated: MAY 02 2006

**ORDER MAILED**

**MAY 03 2006**

 Executive  
Director

---

Susan K. Duffy  
Executive Director

## **Computation of Cass County Telephone Company's Problem and Solution**

As a solution to the current cash crisis of Cass County Telephone Company ("CassTel") and to reconcile the amounts overpaid to CassTel and the amounts withheld by NECA and USAC, CassTel proposed (*see* "A Description of Events Surrounding Cass County Telephone Company, the Remaining Problem and a Proposed Solution") the following:

1. Immediately reinstitute High Cost Loop Support ("HCLS"), Interstate Common Line Support ("ICLS") and Local Switching Support ("LSS") to enable CassTel to continue to serve its customers, to expand its network to meet the customer and service growth demands of its operating territories and to recover its legitimate costs of service;
2. Apply withheld ICLS and LSS amounts for 2004, 2005 and 2006 (which have been incurred by CassTel from available cash to provide interstate services but CassTel has not been compensated for those amounts) as an offset to the amounts owed by CassTel to NECA and USAC. (CassTel will use the proceeds from the sale of CassTel to the buyer of its assets, FairPoint Communications, Inc. ("FairPoint") to pay NECA and USAC the net amount); and,
3. Release the amount of withheld HCLS in accordance with terms and conditions of a capital expenditure plan adopted by the Missouri Public Service Commission ("MPSC") and the Kansas Corporation Commission ("KCC") pursuant to the Stipulations and Agreements entered into by CassTel and FairPoint with those commissions.

This solution is quantified as follows:

1. NECA over payments to CassTel for 1996 through 2003 total \$6,359,000 (no overpayments were made to CassTel for any other period.) Subtracting from that amount the \$5,500,000 that was paid by the defendants in the criminal proceeding, leaves an overpayment by NECA of \$859,000.
2. USAC over payments to CassTel for 1996 through 2003 total \$7,761,000 (no overpayments were made to CassTel for any other period.) Subtracting from that amount the \$3,400,000 that was paid by the defendants in the criminal proceeding, leaves an overpayment by USAC of \$4,361,000.
3. The total of \$859,000 and \$4,361,000, or \$5,220,000, is the amount that remains to be paid by CassTel to NECA and USAC.
4. Offsetting the total withheld ICLS and LSS amount of \$1,872,000 to the amount owed to USAC and NECA of \$5,220,000 results in a net payment by CassTel to USAC and NECA of \$3,348,000.

In short, under CassTel's solution, it would owe NECA and USAC \$3,348,000. Per the separate settlement agreements with the MPSC and the KCC, the HCLS amount of \$3,658,000 would be subject to an approved capital plan between those commissions and the buyer of CassTel's assets. This solution is depicted in the attached Table No. 1.



**Table No. 1**

	NECA/USAC Overpayments (1)	Forfeiture Agreement (2)	Subtotal Net of Forfeiture Payments	2004 Withheld Amounts	2005 Withheld Amounts	2006 Withheld Amounts	Total Withheld Amounts	Amounts Due NECA/ USAC	Amount Payable to FairPoint (3)
<b><u>NECA Settlements:</u></b>									
CL Pool (Less ICLS, LTS)	\$929								
TS Pool (Less LSS)	<u>5,430</u>								
Totals	\$6,359	\$(5,500)	\$859					\$859	
<b><u>USF</u></b>									
HCL	\$5,859			\$978	\$2,555	\$125	\$3,658		
LTS	512								
ICLS	265			228	691	100	1,019		
LSS	<u>1,125</u>			<u>399</u>	<u>428</u>	<u>26</u>	<u>853</u>		
Totals	\$7,761	\$(3,400)	\$4,361	\$1,605	\$3,674	\$251	\$5,530	\$2,489	\$3,658
Grand Totals	<u>\$14,120</u>	<u>\$(8,900)</u>	<u>\$5,220</u>					<u>\$3,348</u>	

**Notes:**

- (1) All amounts per NECA calculations and agreed to by CassTel..
- (2) The repayments by the defendants in the criminal proceeding.
- (3) Subject to an approved capital plan agreed to between FairPoint and the MPSC and the KCC.

2003

Page: 1 of 1

Company Code: 000000472

Statement No.: PS0065787

Date: Sep 4, 2003

Disbursement Notification

Cass County Tel Co  
Attn: Ms. Debi Long  
P.O. BOX 398  
Peculiar, MO 64078-0398

THIS IS NOT A NECA BILL

This notification is to advise  
you of the current month's  
disbursement which is being  
made to your company by NECA.

Direct questions to your NECA Regional Industry Relations Office

Total Amount Due NECA From Last Bill	0.00
Past Due Amount	0.00

Current Net Balance For Aug 2003 Data Month (AS3000/EC3050)	332,370.00 CR
---	---------------

FCC Reg Fees	1,263.80
High Cost Loop Fund (USAC)	253,429.00 CR 5052.110
Safety Net Additive (USAC)	6,869.00 CR 5082.110
Lifeline (USAC)	201.00 CR 130.60 1000.230
Current Net Balance	591,605.20 CR

Total Amount Due Exchange Carrier	591,605.20 CR
-----------------------------------	---------------

1190.730

You Will Receive Above Payment By Sep 30, 2003

THIS IS NOT A BILL - DO NOT REMIT PAYMENT

LifeLine 201: 1000.230 for Aug  
+ 200.00 for - Time up for July 2003  
201.00  
1000.230  
1201.230

# Federal Communications Commission

Interstate Telephone Service Provider Regulatory Fee

2003

Approved by OMB

3060-0949

This packet contains the 2003 FCC Regulatory Fee Worksheet Form 159-W and a Remittance Advice Form 159. The FCC Form 159-W worksheet below has been completed using information from your previously submitted FCC Form 499-A. If any of this information is incorrect, please enter the correct figures on the blank worksheet enclosed and recalculate your regulatory fee. If all FCC regulatory fees that you owe total less than \$10, you are not required to file or remit payment. Otherwise, remit the fee either with this page, or with a completed Remittance Advice Form 159 and a correct Regulatory Fee Worksheet FCC 159-W.

## Attention:

Filing must be received by September 24, 2003. See Public Notice.

1185 Cass County Telephone Company  
P.O. Box 398  
Peculiar, MO 64078

If the revenue information on this page is correct, you may sign in Block (30) and submit this page in lieu of a separate Remittance Advice Form 159 and Form 159-W Regulatory Fee Worksheet.

Block (22) - Applicant IDN

43-1727221

Please Verify

IDN and FRN

Block (23) - Applicant FRN - CORESID

0004-3740-18

Block (23A) - FCC Call Sign/Other ID

(Filer 499 ID) - (Fee Year)

805459-2003

Block (24A) - Payment Type Code

0372

Block (25A) - Quantity

Your regulatory fee base:

\$635,074.00

Block (27A) - Total Fee

\$1,263.80

Block (28A) - FCC CODE 1

(Interstate & Int. end-user revenues)

\$635,074.00

Block (29A) - FCC CODE 2

(excluded interstate end-user revenues)

\$0.00

## FCC Form 159-W Regulatory Fee Worksheet (based on your FCC Form 499-A filing)

Calendar year 2002 revenue information shown in whole dollars

1	Service provided by U.S. carriers that both originates and terminates in foreign points. FCC Form 499-A Line 412 (c)	\$0.00
2	Interstate end-user revenues from all telecommunications services. FCC Form 499-A Line 420 (d)	\$635,074.00
3	International end-user revenues from all telecommunications services except international-to-international. FCC Form 499-A Line 420 (e)	\$0.00
	Total interstate and international end-user revenues (Sum of Lines 1, 2 and 3) Note: also enter this number on Block (28A) - "FCC Code 1".	\$635,074.00
5	End-user interstate mobile service monthly and activation charges. FCC Form 499-A Line 409 (d)	\$0.00
6	End-user international mobile service monthly and activation charges. FCC Form 499-A Line 409 (e)	\$0.00
7	End-user interstate mobile service message charges including roaming charges but excluding toll charges. FCC Form 499-A Line 410 (d)	\$0.00
8	End-user international mobile service message charges including roaming charges but excluding toll charges. FCC Form 499-A Line 410 (e)	\$0.00
9	End-user interstate satellite service. FCC Form 499-A Line 416 (d)	\$0.00
10	End-user international satellite service. FCC Form 499-A Line 416 (e)	\$0.00
11	Surcharges on mobile and satellite services identified as recovering universal service contributions and included in Line 403 (d) or 403 (e) on your FCC Form 499-A. [Note: you may not include surcharges applied to local or toll services, nor any surcharges identified as intrastate surcharges.]	\$0.00
12	Interstate and international revenues from resellers that do not contribute to USF. Form 499-A Line 511 (b)	\$0.00
13	Total excluded end-user revenues. (Sum Lines 5 through 12.) Note: also enter this number on Block (29A) - "FCC Code 2".	\$0.00
14	Total subject revenues. (Line 4 minus Line 13) Note: also enter this number on Block (25A) - "Quantity".	\$635,074.00
15	Interstate telephone service provider fee factor	0.00199
16	2001 Regulatory Fee (Line 14 times Line 15)* Note: also enter this number on Block (27A) - "Total Fee"	\$1,263.80

\* You are exempt if you owe less than \$10 for all FCC reg. fees. If the above figures are correct, you may certify and use this page in lieu of completed Forms 159 & 159-W.

Block (30) -

I, \_\_\_\_\_ CERTIFY under penalty of perjury that the foregoing and supporting information is true and correct to the

(please print)

best of my knowledge, information and belief. (Signature) \_\_\_\_\_

(Date) \_\_\_\_/\_\_\_\_/2003

☐ MasterCard ☐ Visa ☐ Discover ☐ AmEx Credit Card # \_\_\_\_\_ Expr. Date \_\_\_\_\_

I hereby authorize the FCC to charge my credit card above for the services/authorizations herein described

<See Public Notice for other payment options.> (Signature) \_\_\_\_\_

(Date) \_\_\_\_/\_\_\_\_/2003

If the above revenue data does not correspond to your 499-A filing, please contact the Form 499 Data Collection Agent at 877-560-1460

FCC FORM 159-W

Attention: Filing must be received by September 24, 2003. See Public Notice.

July 2001



Simplifying the business of telecom regulation

## FCC REGULATORY FEE ELECTION

Please make your selection(s) below to indicate whether you want NECA to submit the annual regulatory fee on behalf of your company. If you elect "Yes" the regulatory fee will be netted with the September 2003 cash flow.



Yes, I elect to have NECA submit the Interstate Telecommunications Service Providers FCC regulatory fee on behalf of my company. I am the Authorized Representative and I am empowered to make this decision. (Please note that all other fee categories that apply to your company should be filed and paid directly to the FCC.)



No, I elect to administer the FCC regulatory fee on my own behalf. I am the Authorized Representative and I am empowered to make this decision.



Exempt. I am exempt from the FCC regulatory fee as "governments and nonprofit (exempt under Section 501 of the Internal Revenue Code) entities are exempt from paying regulatory fees." I am the Authorized Representative and I am empowered to make this decision.

Records Filtered on: NONE					Filter By: <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> ? Show All				
	Election			Study Area ID / Name	Exchange Carrier ID / Name	FCC Registration Number			
1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SA:420472 Cass County Telephone Company	EC:000000472 Cass County Telephone Company	FRN:	<input type="text" value="0004"/>	-	<input type="text" value="3740"/> - <input type="text" value="18"/>
2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SA:421927 NEW FLORENCE TELEPHONE CO.	EC:000001927 New Florence Tel. Co. Inc.	FRN:	<input type="text" value="0004"/>	-	<input type="text" value="3740"/> - <input type="text" value="47"/>
3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	SA:442104 LAKE LIVINGSTON TEL. CO.	EC:000002104 Lake Livingston Tel. Co.	FRN:	<input type="text" value="0004"/>	-	<input type="text" value="3740"/> - <input type="text" value="39"/>

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[Terms of Use](#) | [Privacy Policy](#)

2004



Page: 1 of 1

Company Code: 000000472

Statement No.: PS0879694

Date: Aug 4, 2004

## Disbursement Notification

Cass County Tel Co  
Attn: Ms. Debi Long  
P.O. BOX 398  
Peculiar, MO 64078-0398

## THIS IS NOT A NECA BILL

This notification is to advise  
you of the current month's  
disbursement which is being  
made to your company by NECA.

---

Direct questions to your NECA Regional Industry Relations Office

---

Total Amount Due NECA From Last Bill	0.00	
Past Due Amount		0.00
Current Net Balance For Jul 2004 Data Month (AS3000/EC3050)	85,665.00 CR	
FCC Reg Fees	1,621.45	
Global Crossing Settlement Payment	740.33 CR	
* High Cost Loop Fund (USAC)	250,275.00 CR	
* Safety Net Additive (USAC)	9,603.00 CR	
* Lifeline (USAC)	327.00 CR	
* Link Up (USAC)	24.00 CR	
Current Net Balance		345,012.88 CR
Total Amount Due Exchange Carrier		345,012.88 CR

1190.230

You Will Receive Above Payment By Aug 31, 2004  
THIS IS NOT A BILL - DO NOT REMIT PAYMENT

\* NECA estimates of Universal Service payments reflected on this statement are derived from prior month payments plus any known changes available to NECA. True-ups to these estimates will be provided in a second statement from NECA after actual payment information is available from USAC.

2004

# Federal Communications Commission

## Interstate Telephone Service Provider (ITSP) Regulatory Fee Bill

Approved by OMB  
3060-0949

This bill is a combined 2004 FCC Regulatory Fee Worksheet Form 159-W and Remittance Advice Form 159. It has been completed using information from your previously submitted FCC Form 499-A. Add information requested below and remit this page with your payment. If any information shown on this page is incorrect, show corrections on this page. If you correct any revenue amounts, include a copy of your latest filed FCC Form 499-A. If you also must make revisions to your FCC Form 499-A, include the revised form with your payment and also file that form with the FCC's Data Collection Agent. See 499-A Instructions.

**Attention:**

**Filing must be received by August 19, 2004. See Public Notice.**

**BILL FOR**

2205 Cass County Telephone Company  
P.O. Box 398

Peculiar, MO 64078

Block (23A) - FCC Call Sign/Other ID  
(Filer 499 ID) - (Fee Year)

805459-2004

Block (24A) - Payment Type Code

0472

Block (25A) - Quantity

(Your regulatory fee base)

\$743,786.00

Block (27A) - Total Fee

\$1,621.45

Block (28A) - FCC CODE 1

(Interstate & Intl. end-user revenues)

\$743,786.00

Block (29A) - FCC CODE 2

(excluded interstate end-user revenues)

\$0.00

Block (21) - Applicant FRN

0004-3740-13

Please Verify

=== FRN

FCC Use Only -- Bill Number

04RE007684

Note: If all FCC regulatory fees that you owe total less than \$10, you are not required to file or remit payment.

### FCC Form 159-W Regulatory Fee Worksheet (based on your FCC Form 499-A filing)

Calendar year 2003 revenue information shown in whole dollars

1	Service provided by U.S. carriers that both originates and terminates in foreign points. FCC Form 499-A Line 412 (c)	\$0.00
2	Interstate end-user revenues from all telecommunications services. FCC Form 499-A Line 420 (d)	\$743,786.00
3	International end-user revenues from all telecommunications services except international-to-international. FCC Form 499-A Line 420 (e)	\$0.00
4	Total interstate and international end-user revenues (Sum of Lines 1, 2 and 3) Note: also enter this number on Block (28A) - "FCC Code 1."	\$743,786.00
5	End-user interstate mobile service monthly and activation charges. FCC Form 499-A Line 409 (d)	\$0.00
6	End-user international mobile service monthly and activation charges. FCC Form 499-A Line 409 (e)	\$0.00
7	End-user interstate mobile service message charges including roaming charges but excluding toll charges. FCC Form 499-A Line 410 (d)	\$0.00
8	End-user international mobile service message charges including roaming charges but excluding toll charges. FCC Form 499-A Line 410 (e)	\$0.00
9	End-user interstate satellite service. FCC Form 499-A Line 416 (d)	\$0.00
10	End-user international satellite service. FCC Form 499-A Line 416 (e)	\$0.00
11	Surcharges on mobile and satellite services identified as recovering universal service contributions and included in Line 403 (d) or 403 (e) on your FCC Form 499-A. [Note: you may not include surcharges applied to local or toll services, nor any surcharges identified as intrastate surcharges.]	\$0.00
12	Interstate and international revenues from resellers that do not contribute to USF. Form 499-A Line 511 (b)	\$0.00
13	Total excluded end-user revenues. (Sum Lines 5 through 12.) Note: also enter this number on Block (29A) - "FCC Code 2."	\$0.00
14	Total subject revenues. (Line 4 minus Line 13) Note: also enter this number on Block (25A) - "Quantity"	\$743,786.00
15	Interstate telephone service provider fee factor	0.00218
16	2004 Regulatory Fee (Line 14 times Line 15)*. Note: also enter this number on Block (27A) - "Total Fee"	\$1,621.45

\* You are exempt if you owe less than \$10 for all FCC reg. fees. If the above figures are correct, you may certify and use this page in lieu of completed Forms 159 & 159-W.

Required for All Filers:

Block (11) - Payer FRN

Block (9) - Telephone #

Block (2) - Payer Name

I, \_\_\_\_\_, CERTIFY under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief. (Signature) \_\_\_\_\_ (Date) \_\_\_\_/\_\_\_\_/2004.

Credit Card	<input type="checkbox"/> MasterCard <input type="checkbox"/> Visa <input type="checkbox"/> Discover <input type="checkbox"/> AmEx	Credit Card # _____	Expir. Date _____
Payers hereby authorize the FCC to charge my credit card above for the services/authorizations herein described			
Only	<See Public Notice for other payment options.> (Signature) _____		(Date) ____/____/2004.

FCC CORES Help Desk (877) 480-3201, Select Option 4. For FCC Form 499 questions contact Data Collection Agent at 873-560-4450

Attention: Filing must be received by August 19, 2004. See Public Notice.

FCC FORM 159-W  
July 2004

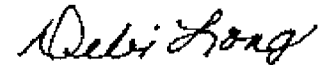
**CASS COUNTY TELEPHONE COMPANY**P.O. BOX 647 • PH. 816-779-5510  
PECULIAR, MO 64078Community Bank  
Peculiar, MO 6407880.127  
1010

020759

2005

Check Number 020759  
Issue Date 08/24/2005

PAY One Thousand Nine Hundred Sixty-Three and 50/100 ----- Dollars

Net Amount  
\$\*\*\*\*\*1,963.50To The  
Order of FEDERAL COMMUNICATIONS COMMISS  
REGULATORY FEES  
PO BOX 358365  
PITTSBURGH, PA 15251-5365

AUTHORIZED SIGNATURE

⑈020759⑈ ⑆101003773⑆ ⑈01011200⑈

CASS COUNTY TELEPHONE COMPANY 020759

Doc No	Invoice No	Invoice Date	Orig Inv Amt	Transaction Amt	Unit Price	Total Amount
014696	05RE008358	7/31/2005	1,963.50	1,963.50	0.00	1,963.50
Description: FILER 499 ID: 805459-2005						

CASS COUNTY TELEPHONE COMPANY 020759

2005

[illegible]



2005

## Federal Communications Commission

Interstate Telephone Service Provider (ITSP) Regulatory Fee Bill

Approved by OMB

3060-0949

This bill is a combined 2005 FCC Regulatory Fee Worksheet Form 159-W and Remittance Advice Form 159. It has been completed using information from your previously submitted FCC Form 499-A. Add information requested below and remit this page with your payment. If any information shown on this page is incorrect, show corrections on this page. If you correct any revenue amounts, include a copy of your latest filed FCC Form 499-A. If you also must make revisions to your FCC Form 499-A, include the revised form with your payment and also file that form with the FCC's Data Collection Agent. See 499-A Instructions.

Company <u>CASS</u>					
Attention:		Approved By <u>[Signature]</u>		Date <u>8/17/05</u>	
Filing must be received by September 7, 2005.					
BILL FOR		Vendor		FCC	
Pay Date <u>08-24-05</u>					
3348: Cass County Telephone Company					
P.O. Box 398	Acct. No.	Job	Task	Sub	Amt
	<u>7340900</u>			<u>067</u>	<u>1963.50</u>
Peculiar, MO		64078			
See Public Notice. <a href="http://www.fcc.gov/fees/regfees.html">http://www.fcc.gov/fees/regfees.html</a>					

If the revenue information on this page is correct, you may sign below and submit this page in lieu of a separate Remittance Advice Form 159 and Form 159-W Regulatory Fee Worksheet

Block (21) - Applicant FRN	Please Verify	FCC Use Only - Bill Number
<u>0004-3740-13</u>	FRN	<u>05RE008358</u>

Note: If all FCC regulatory fees that you owe total less than \$10, you are not required to file or remit payment.

## FCC Form 159-W Regulatory Fee Worksheet (based on your FCC Form 499-A filing)

Calendar year 2004 revenue information shown in whole dollars	
1	Service provided by U.S. carriers that both originates and terminates in foreign points. FCC Form 499-A Line 412 (e)
	\$0.00
2	Interstate end-user revenues from all telecommunications services. FCC Form 499-A Line 420 (d)
	\$808,024.00
3	International end-user revenues from all telecommunications services except international-to-international. FCC Form 499-A Line 420 (e)
	\$0.00
4	Total interstate and international end-user revenues (Sum of Lines 1, 2 and 3) Note: also enter this number on Block (28A) - "FCC Code 1."
	\$808,024.00
5	End-user interstate mobile service monthly and activation charges. FCC Form 499-A Line 409 (d)
	\$0.00
6	End-user international mobile service monthly and activation charges. FCC Form 499-A Line 409 (e)
	\$0.00
7	End-user interstate mobile service message charges including roaming charges but excluding toll charges. FCC Form 499-A Line 410 (d)
	\$0.00
8	End-user international mobile service message charges including roaming charges but excluding toll charges. FCC Form 499-A Line 410 (e)
	\$0.00
9	End-user interstate satellite service. FCC Form 499-A Line 416 (d)
	\$0.00
10	End-user international satellite service. FCC Form 499-A Line 416 (e)
	\$0.00
11	Surcharges on mobile and satellite services identified as recovering universal service contributions and included in Line 403 (d) or 403 (e) on your FCC Form 499-A. [Note: you may not include surcharges applied to local or toll services, nor any surcharges identified as intrastate surcharges.]
	\$0.00
12	Interstate and international revenues from resellers that do not contribute to USF. Form 499-A Line 511 (b)
	\$0.00
13	Total excluded end-user revenues. (Sum Lines 5 through 12.) Note: also enter this number on Block (29A) - "FCC Code 2".
	\$0.00
14	Total subject revenues. (Line 4 minus Line 13) Note: also enter this number on Block (25A) - "Quantity".
	\$808,024.00
15	Interstate telephone service provider fee factor
	0.00243
16	2005 Regulatory Fee (Line 14 times Line 15)* Note: also enter this number on Block (27A) - "Total Fee"
	\$1,963.50

\* You are exempt if you owe less than \$10 for all FCC reg. fees. If the above figures are correct, you may certify and use this page in lieu of completed Forms 159 & 159-W.

Required for All Filers:

Block (11) - Payer FRN	Block (9) - Telephone #	Block (2) - Payer Name

I, Dee Coburn  
(please print)

CERTIFY under penalty of perjury that the foregoing and supporting information is true and correct to the

best of my knowledge, information and belief. (Signature) Dee Coburn (Date) 8/10/2005

Credit	***** The U.S. Treasury is limiting Credit Card payments to \$99,999.99 or less. Any amounts over this limit will not be processed *****	
Card	<input type="checkbox"/> MasterCard <input type="checkbox"/> Visa <input type="checkbox"/> Discover <input type="checkbox"/> AmEx Credit Card #	Expir. Date
Payers I hereby authorize the FCC to charge my credit card above for the services/authorizations herein described		
Only	<See Public Notice for other payment options.> (Signature) _____ (Date) ____/____/2005	

FCC CORRES Help Desk (877) 480-3201, Select Option 4. For FCC Form 499 questions contact Data Collection Agent at 873-560-4460

Attention: Filing must be received by September 7, 2005. See Public Notice.

FCC FORM 159-W  
July 2005